

## NEWS SUMMARY

GENERAL

Beirut  
engulfed  
by shell  
re

Israel Beirut was engulfed by artillery and rocket fire exchanged between Syrian and Lebanon's Christian militia. Residential areas, the port and the airport were hit. There was no report of fatalities from either the dem or Christian halves of the city. Israeli planes bombed Palestinian guerrilla positions in Lebanon. Israeli general for intervention. Page 2

Malta warning  
least 10,000 people will die in days in flood-hit Central Malta unless a massive rescue launched, the Red Cross said.

Tornado deaths

tornado which hit Tulsa, Oklahoma, on Sunday killed five people and caused damage valued at \$30m (£14m). Back Page

Robot options  
not UK engines built at entry for Paykan cars made in Iran by the Iran National Company may be supplied by Mitsubishi or PSA geot Citroen 504 engines.

arcos threat

pin President Marcos retained to increase anti-terrorist action after a grenade attack on an Easter Sunday congregation in a Davao, Mindanao cathedral left 11 dead and 170 injured.

ambia talks

nia will be discussed today by the UN Security Council under sanctions against South Africa, and tomorrow by UK, US, Canada and West German experts meeting to counter black Africa's threatened trade embargo.

ores issue

Arab League's secretary general, on an official visit to London, hoped Portugal would let the U.S. use Lajes airfield as a staging-post for East intervention again. Renegociable U.S. leases in 1983.

uclear protest

ch police baton-charged 500 demonstrators blocking access to Dodegaard nuclear power plant.

ms deal action

It will take action in French courts to recover £56m (£26m) in an arms deal. Page 2

epairing hotels

nia will rely on private contributions to fund the at least £m (£32.3m) needed to repair hotels damaged in October's general election.

issident held

iet security police detained 32 dissident Vsevolodov, a member of the official trade union Free International Organisation of Workers (Smit).

atsun's day

tsun cars came first, second and third in the Marlboro Safari Rally in Kenya. Ugandan millionaire Shekhar Mehta won.

ooker champ

ave Davis beat Doug Mountjoy 18 to 12 to win the world boxer championship.

riefly...

Richard Attenborough's pulsion from India was mandated by two Congress party members.

Azur tropical fever killed more than 260 people in two weeks in Bihar.

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BUSINESS  
American Express discusses merger

BY RICHARD JOHNS, MIDDLE EAST EDITOR

**SAUDI ARABIA** will not reduce its oil production, running at 16 to 10.3 million barrels a day, nor raise the selling rate for its crude until other producers agree to realign prices. Sheikh Ahmed Zaki Yamani, the Saudi Oil Minister, said at the weekend.

"We engineered the glut, and we want to see it, in order to stabilise the price of oil," he said in New York.

It was the first explicit admission by his government, and a provocative one to other members of the Organisation of Petroleum Exporting Countries, that this was why Saudi Arabia maintained a high level of output despite surpluses on the world market and the resumption of exports by Iran and Iraq.

Speaking on NBC TV's "Meet the Press" programme, Sheikh Yamani held out no hope of OPEC agreeing on a unified price structure at the Ministerial conference scheduled to start in Geneva on May 25. Price realignment might be possible, he said, "maybe some time in 1982."

His statement seems bound to sharpen the debate at the forthcoming conference.

**NATIONAL SAVINGS** showed a record increase in net receipts of £2.4bn, including accrued interest, in 1980-81, well over the £2bn Treasury target. Back Page

**EUROPEAN COMMISSION** is preparing regulations to subject shipping conferences to the EEC's anti-cartel laws. Page 3

**HOUSE PRICES** are starting to edge up after months of holding steady, according to some estate agents. Page 4

**MONETARY** growth rate has slowed markedly in recent months, according to most measures studied by the Bank of England, particularly sterling M3. Page 25

**ROYAL BOAT KALIS WEST-MINSTER**, Dutch dredging and construction group, recovered to show a net profit of Fl 51.5m (29.8m), up from Fl 13.7m. Page 28

**A CUT** in Belgium's discount rate to 16 per cent from 16 per cent surprised the foreign exchange market last week, but did not put the Belgian franc under heavy pressure. At the end of March the bank rate was raised by 3 percentage points from 15 per cent in an attempt to halt the build-up of speculative pressure against the franc, but last week's cut came as currency trading was winding down ahead of the Easter weekend, and it was not immediately apparent whether the franc would suffer more heavy selling as a result.

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## OVERSEAS NEWS

## Kidnap policy in question after Basque's arrest

BY ROBERT GRAHAM IN MADRID

THE DETENTION under anti-terrorist laws of Sr. Ruiz Balerdi, a prominent left-wing Basque lawyer, has raised delicate questions about Spanish Government policy on the use of intermediaries in kidnap cases. It has also exposed an apparent lack of co-ordination between the various departments of the Government dealing with terrorism.

Police detained Sr. Balerdi at the frontier with France just north of San Sebastian late on Wednesday night. He was travelling alone and police were awaiting him on his return from an alleged visit to Switzerland. They say they found Belgian francs worth Pta 5m (£28,000) in a false bottom to his car. Since then, he has been transferred to Madrid and held under anti-terrorist laws that permit detention for up to 10 days without charge.

Sr. Balerdi is deputy mayor of San Sebastian and a member of Euskadi Esfera, the left-wing party which is widely believed to act as the political front for the less militant political-military wing of ETA.

## Israeli general calls for clear-cut Lebanon policy

BY DAVID LENNON IN TEL AVIV

THE ISRAELI general responsible for the border with Lebanon has called for Israel to help the Christians take over all of that country, and has sharply criticised his own government for lacking a clear-cut policy towards Lebanon.

General Avigdor Ben-Gal, OC Northern Command, expressed these views in a weekend interview with an Israeli newspaper. This is the second time he has made controversial political declarations.

Long regarded as one of the architects of Israel's growing involvement in Lebanon, General Ben-Gal said Israel should adopt an activist policy of broad support for the Christians, "in the hope that they would take over the entire country."

Senior military officials in Tel Aviv confirmed last week that

Israel is supplying weapons to the Christians in northern Lebanon.

Insan Hijazi adds from Beirut: Sixteen people killed on Sunday in the southern Lebanese port of Sidon were buried yesterday.

They lost their lives in an artillery bombardment by Israeli-backed Christian militias.

Maj. Saad Haddad, the southern militia commander, had a heart attack on Sunday, and was taken to a hospital in Haifa. The Israelis apparently gave him top medical attention.

• A new leadership for the Palestine Liberation Organisation has been elected and it includes for the first time in seven years a representative from the hard-line Popular Front for the Liberation of Palestine (PFLP).

These discussions appeared to have resolved anxieties that threatened to disrupt improving relations between Britain and the Saudis.

One of the problems Mrs. Thatcher and Mr. Hurd have found in their three days of talks here is the ambivalent attitude towards the U.S. American defence aid and protection is accepted as essential, but the Saudi Government does not want to identify itself too closely with the Americans because of their unpopularity in the Arab world.

The Prime Minister and Mr. Hurd, the Foreign Office Minister responsible for the Middle East, were careful to be too optimistic about chances of success in any Arab-Israeli negotiations later in the year.

## Thatcher discusses Arab-Israeli initiative

By Richard Evans in Riyadh

CAUTIOUS HOPES for a breakthrough in the Arab-Israeli conflict through Britain's presidency of the European Community in the second half of the year were discussed in detail here yesterday by Mrs. Thatcher and Mr. Douglas Hurd, Minister of State at the Foreign Office, during talks with Saudi leaders.

The Saudis' concern with the impasse in the Middle East and the failure of the U.S. to launch an effective initiative featured prominently in talks that ranged over economic, foreign and defence affairs.

The Saudi Government confirmed that it fully accepts the British Government's attitude to the Rapid Deployment Force proposed by President Ronald Reagan and backed by Mrs. Thatcher during her visit to Washington in January.

Mrs. Thatcher said that no force would ever be stationed in the Gulf or elsewhere without prior agreement. This was intended to allay fears that the U.S. and UK were preparing to ride roughshod over the feelings of the governments in the Gulf.

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## LACK OF JOBS EMERGES AS A LEADING ISSUE IN THE CAMPAIGN

# Economic policy proves costly for Giscard

WILL ECONOMIC policy, so long considered to be President Giscard d'Estaing's strong point, prove to be his Achilles heel in the French presidential election? That is the question which is on everyone's lips only five days before the country goes to the polls for the first ballot of the two-round election.

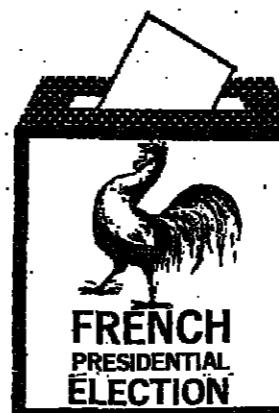
No doubt, M. Giscard d'Estaing's relatively poor showing in the latest public opinion polls, which put him neck-and-neck with his main rival, M. François Mitterrand, the Socialist leader, cannot be ascribed simply to one factor. But there can be no doubt that the outgoing President's economic management and, in particular, the high level of unemployment which has been one of its more unfortunate consequences, has emerged as the prime issue in the election campaign in most people's minds.

The latest official statistics show that the number of job-seekers has risen by 17.5 per cent over the past 12 months to 1.86m, a level which would not be considered as particularly dramatic in some other Western European countries, such as Britain. But unemployment is as emotive an issue in France as inflation is in West Germany.

The French can live happily with an inflation rate of nearly 14 per cent, but were forecasting another revolution if unemployment ever passed the 1m mark.

The fact that such an upheaval did not occur when the fateful ceiling was exceeded can be put down entirely to the cold, rational arguments and

The President made a bad mistake early in the campaign when he underestimated the adverse impact which unemployment would have on his prospects for re-election, writes Robert Mauthner in Paris.



generosity of the over-burdened social security system. That has not, however, robbed the problem of its explosive potential.

President Giscard probably made one of the biggest mistakes of the election campaign in underestimating the adverse impact of unemployment on his re-election prospects. Possibly the long lead he had established over his main rivals, which only started to fall away at the very end of 1980, had made him over-confident.

M. Giscard d'Estaing genuinely believed that all intelligent and reasonable people—that is, the majority of the population—would accept his explanation that rising oil prices and the slack international economic climate were entirely responsible for France's economic troubles. But elections are rarely won by cold, rational arguments and

measures to fight unemployment.

The main impetus to employment in M. Mitterrand's plan will come from the creation of 210,000 jobs in 1982 in the public sector, swollen by the nationalisation of 10 of the country's largest industrial groups, the stepping up of Government investments, mainly in the housing and public works sectors, and the stimulation of domestic demand by raising the wages of the lowest paid and social benefits.

However elegantly it is packaged, no one can be in any doubt that the recently announced Franco-German international loan scheme, which was coupled with a promise to unlock FF 8.6bn (£600m) from a special economic action fund incorporated in the last budget, adds up to a quite hefty stimulus of the economy.

The trouble with President Giscard's scheme was that it looked as if it was specially devised as a last-minute electioneering gimmick. Even worse for the "citizen-candidate's" credibility, he was accused of putting an international wrapper round his proposals merely to make it less obvious that he had gone back on his promise not to undertake a vote-catching revision of the public's income tax.

Independent economists have estimated that the public borrowing requirement will rise more than double in 1982 to about FF 65bn (£5.9bn) if the Mitterrand economic programme is put into effect as planned. As for inflation, the Socialist candidate himself recognises that it will remain between 13 and 14 per cent, which shows how little he thinks that the public is concerned about this

problem. M. Giscard d'Estaing, on the other hand, for a long time ruled out any substantial reform of the economy for the very reason that it would be inflationary and exacerbate the already large balance of payments deficit. In the end, however, he has been forced to modify his position by the capital that his opponents were making out of the serious unemployment situation.

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True or not, it is appearance that count in an election and it is clear that M. Giscard d'Estaing has been obliged to dash out proposals which should have been announced much earlier in the campaign.

## U.S. tries to strengthen Pakistan

BY DAVID BUCHAN IN WASHINGTON

THE REAGAN Administration is seeking to bolster Pakistan against the Soviet military presence near its borders, in a way that will placate the U.S. Congress and not alienate India totally.

Top of the agenda at yesterday's meeting here between Mr. Alexander Haig, the Secretary of State, and Mr. Agha Shahi, the Pakistani Foreign Minister, was the Administration's so far

informal offer of \$400m in military sales credits and \$100m in economic aid in each of the next two years.

In talks here at the end of last week, Mr. Haig tried to convince senior Indian Foreign Ministry officials that "a

stronger, more self-confident Pakistan would make for a stronger subcontinent." His efforts failed against a background of reports from New Delhi that India effectively had ripped up its nuclear supply treaty with the U.S.

State Department officials said yesterday they had no confirmation that India had started reprocessing spent fuel of U.S. origin supplied to the Tarapur reactor outside Bombay. If this were true, they said, it would breach the 1963 treaty which requires U.S. permission for any such recycling of fuel (producing weapons-grade plutonium as a by-product).

One effect of a hard-Indian line on nuclear matters might be to make the U.S. Congress less inclined to hold up aid to Pakistan. At present, Congress, by various amendments, has cut off all aid to Pakistan because of the suspicion that its nuclear power programme is secretly aimed at building a nuclear weapons capability, to match that shown by India in 1974 when it exploded a nuclear device.

The Reagan Administration wants to whittle down such Congressional restrictions on aid to Pakistan and other possible "bomb-states," claiming that this curbs necessary executive freedom of action.

## Iran bid to recover £26m paid for undelivered arms

BY TERRY POVEY IN TEHRAN

IRAN

Several groups of private arms dealers entertained Iranian negotiators in London and Zurich at the end of last year. But arguments over prices and commissions led to most of these contacts falling

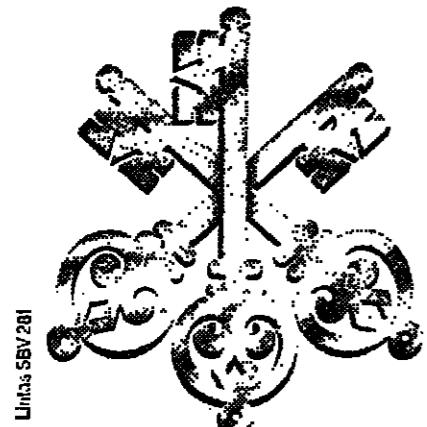
A letter of credit from Iran's Bank Mellat was opened in Tehran in mid-January. The arms were to have been inspected by Mr. Ali Behnam, Iran's chargé d'affaires in Madrid before shipment to Iran.

Mr. Behnam was said to have been tricked into giving clearance to the Paris branch of the Bank Mellat to release the letter of credit

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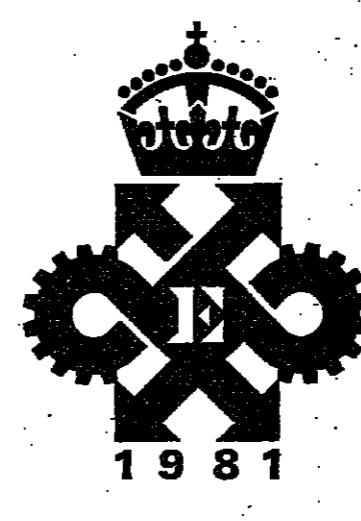
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## WORLD TRADE NEWS

JULY 1981

## Taiwan agrees to limit footwear sales to France

BY ROBERT KING IN TAIPEI

TAIWAN HAS agreed to limit exports of footwear to France to 11.6m pairs annually, beginning July 1. The Taiwan Footwear Manufacturers Association has signed a "gentlemen's agreement" with the French Federation Nationale des Fabricants de Chaussures.

Last year, Taiwan's direct exports of footwear to France jumped 26 per cent in quantity to 10.5m pairs. Indirect exports through other European countries added another 1.5m pairs, and are official close to the negotiations.

The new accord, similar to one Taiwan has with the British Footwear Manufacturers' Association limiting exports to the UK to 7.5m pairs annually, does not deal with indirect exports. It stipulates only that Taiwan must provide monthly statistics on shipments to the

French federation and that the two sides will meet again next April to discuss modification, continuance, or termination of the present accord.

This agreement as seen here is taken pressure of the European Confederation of the Footwear Industry, which earlier this year had warned the Taiwan association of severe restrictions against Taiwanese footwear because of a 37 per cent surge in exports to the EEC last year. France and Italy were among the first to voice complaints.

Should Taiwan's shoemakers attempt to circumvent the agreement by increasing their indirect exports through third countries, the pressure will again be on the European footwear confederation to impose unilateral, EEC-wide restrictions.

Should Taiwan's shoemakers

attempt to circumvent the agreement by increasing their indirect exports through third countries, the pressure will again be on the European footwear confederation to impose unilateral, EEC-wide restrictions.

THE EUROPEAN Commission is preparing new regulations aimed at subjecting shipping conferences to the EEC's competition laws.

The Brussels move to impose elements of the Rome Treaty's rules on shipping comes seven years after the Luxembourg Court of Justice in Luxembourg ruled that maritime transport was not exempted from the Treaty.

It also follows an abortive attempt by the Commission a year ago, to draft a regulation that would tackle the issue of conferences that are in effect maritime cartels. But that was viewed as too repressive by EEC shipowners, whose fierce opposition forced the Brussels authorities to shelve the draft rules.

The amended regulation now being pushed by Mr. Frans Andriessen, Dutch EEC Commissioner responsible for EEC competition, is expected to be presented to the EEC Council of Ministers for approval by mid-July.

Negotiations between the Brussels Commission and EEC member-governments on detailed aspects of the regulation are to begin shortly.

The complicated nature of the forthcoming regulation reflects the difficulty the EEC has had in reconciling its proposed new rules with existing U.S. anti-trust laws governing the North Atlantic liner conference.

As a result, the maritime competition laws concerning North Atlantic trade are due to become rather less restrictive than in the past, while on other routes EEC shipowners will be more tightly restricted.

Although European shipowners are understood to have reservations about the new competition rules, EEC shippers are claimed to be giving widespread support to the move.

The Greek Government is also believed to be giving its full backing, because it hopes that the regulation would open up membership of closed conferences from which Greek shipowners have traditionally been excluded.

## Taipei trade gap widens

TAIPEI—Taiwan is alarmed over its widening trade deficit with Japan and may be forced to place more restrictions on Japanese imports, officials say.

Mr. Shao Hsueh-Kun, director of Taiwan's Foreign Trade Board, said that the Government is trying to work out ways to increase exports to Japan, AP-DJ

## World Economic Indicators

	FOREIGN EXCHANGE RESERVES (US\$bn)			
	Jan. 1981	Dec. 1980	Nov. 1980	Jan. 1980
UK	18,720	18,753	18,986	18,852
US	10,662	10,134	8,725	4,668
Japan	6,471	6,429	6,761	4,078
West Germany	47,369	41,749	41,538	46,150
Spain	22,724	21,567	21,267	16,849
Ireland	20,480	21,652	21,424	18,538
Netherlands	9,911	10,424	10,180	7,259
France	25,338	26,595	26,575	16,100

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## EEC draws up new shipping rules

By Giles Merritt in Brussels

## GERMANY'S MID-EAST SALES THRUST

## Arabian El Dorado may be only a mirage

BY ROGER BOYES IN BONN

HAS WEST GERMAN industry discovered a new El Dorado in the export markets of the Middle East?

Starved of orders at home, German contractors have been snapping eagerly at lucrative contracts offered by Arab countries. Some DM 10bn (£2.1bn) worth of orders have been clinched in the Middle East since the beginning of the year and many more are expected.

It has, of course, been forecast for some time that the Arab members of the Organisation of Petroleum Exporting Countries would start channelling their oil revenues into a new crop of medium-term and long-term infrastructural projects, much as they did after the first round of oil price rises in 1973-74.

An analysis by the Trinkaus and Burkhardt Bank recently suggested that overall exports to oil exporting industries would rise by some 30-35 per cent this year.

Yet there may be some dark clouds on the horizon. Political uncertainty dogging German-Saudi relations could turn

parts of the Arab market into a commercial cul-de-sac for the Germans.

Even so, contracts have been coming thick and fast. Hochfleit has won a DM 2bn order to build part of an Iraqi dam. Krupp and Korf have won two separate electro-steel works contracts in Libya, totalling just under DM 3bn. Korf Engineering won another DM 700m order for an iron ore direct reduction plant in Libya and other companies have won some DM 2bn worth of contracts for the construction of highways near Basra and near the Iraqi-Jordanian border.

Korf Engineering—5 per cent owned by Krupp of Dusseldorf and 49 per cent by Voest Alpine of Austria—is an interesting case in point.

Its DM 700m iron ore order was won against stiff Japanese competition—a consortium including Marubeni and Kawasaki had already secured a letter of intent from the Libyans. A few years ago such a move would have been a distinct rarity.

Japanese companies repeatedly

underbid German contractors in the Middle East and, skilled at deploying cheap labour, were particularly competent at turnkey projects.

Now, the mood has changed and German companies have been peaking their sales efforts to coincide with the early stages of many Arab countries' five-year plans. In an interview, Dr. Wilhelm Schneider, the Krupp chairman, recently outlined the group's Middle East strategy in the light of a number of successful bids, including one for a DM 5bn electro-steel works at Misurata in Libya.

• Krupp, for example, had been successful in achieving an adjustment of Middle East goals with medium-term planning in the countries involved. Sometimes this involved actually helping guide the direction of the relevant economy.

In addition, Krups also observes that it is clearly important to have a large network of overseas sales outlets and a discriminating approach to local agents and the use of

commissions. It is by no means clear that German concerns have fully mastered the use of local middle men in the Middle East, and it is significant that by far the bulk of the latest surge of Arab orders has come from Iraq where commissions are explicitly banned.

Some German businessmen have claimed their own Government does not give them the kind of political backing that often clinches deals. By contrast, the French are seen as giving effective political support—through prestige visits to the Gulf for example—and in favourable export credit guarantee terms.

These criticisms are not entirely fair. For export credit guarantees are not all that crucial in trading with Arab OPEC countries, many of whom pay in cash. But where they do count—near the Iran-Iraq war zone for example—Hermes, the German export insurance organisation, has shown itself responsive to the needs of businessmen.

Secondly, the German Government is showing an increasing awareness that political instruments are crucial if German businessmen are going to land large contracts in Saudi Arabia, for example.

Thus, during the visit of King Khaled of Saudi Arabia to Bonn last year, Herr Hans Mattheußer, the German Finance Minister, was understood to have given a gentle push to a number of pending German projects.

Within two weeks, a Mannesmann Anlagenbau-led consortium won a major \$91m contract to supply and install a water transmission pipeline from the Gulf coast to Riyadh.

But such moves are still the exception rather than the rule. German exports to Saudi Arabia stagnated last year while the value of Saudi imports—overwhelmingly oil—increased.

Now, West German business representatives—the Federation of German Industry and other companies—are urging the Government to sell arms to Saudi Arabia and thus reassure Riyadh that Bonn is genuinely interested in guaranteeing the country's security. This would, they suggest, have an immense spin-off effect for German trade in Saudi Arabia and possibly other Arab countries such as the United Arab Emirates.

Chancellor Helmut Schmidt travels to Saudi Arabia on April 27, but it is by no means clear that he will have made a decision on arms sales by then. The Saudis want some 300 Leopard-Two tanks and several hundred other armoured vehicles. A number of other political and legal factors are in the balance—including Germany's historically sensitive relationship with Israel—so Bonn may well have to water down the Saudi request or at least sell arms only in a broader European framework, perhaps with the French.

## UK slow to grasp trade support programmes

BY DAVID HOUSEGO

BRITISH companies have increasingly begun to latch on to the export opportunities offered by the massive spending programmes of the international aid agencies. But they have been slower to exploit them than the French or Americans.

At a time when export prospects are in any case gloomier because of international recession and when Britain's shrinking bilateral aid programme is likely to provide a diminishing spin off for individual agencies.

Global aid disbursements amounted to \$30bn in 1979 accounting for about a third of the capital flow to developing countries. Of this \$25bn came from the OECD countries and \$4.7bn from OPEC.

Some 60 per cent of aid from the OECD countries—including all that passes through multilateral institutions such as the World Bank—as well as all OPEC aid is not tied to the procurement of equipment or services from particular nations. This represents the potential volume of aid business open to international competition.

The book contains a directory of the major multilateral agencies including the regional development banks and the various Arab funds with information on their staffing structure and their tendering procedures. It also provides similar useful data on the major bilateral donors.

*Business Guide to World Aid Funds and Projects: Palace Publishing Limited £40.*

## Pratt gains order for Airbus engines

By Michael Donne, Aerospace Correspondent

PRATT & WHITNEY, the U.S. engine manufacturer, has won a \$130m (£60m) order to provide JT-9D engines for the fleet of 11 European A-310 Airbuses ordered by Kuwait Airlines.

Deliveries of the aircraft start in September 1983. The engines will be JT-9D-7R4s, each producing 50,000 lbs thrust. Each Airbus has two engines.

Kuwait is the fourth major airline to specify this type of engine for the A-310 Airbus, the others being Austrian Airlines, Sabena of Belgium and Swissair, for a total of 41 aircraft.

The engine is an advanced version of the JT-9D, and is expected to save the airlines many millions of dollars because of its improved fuel consumption.

• Emery Air Freight, the U.S. cargo transporter, is to buy 12 Boeing 727 jets, and a fleet of smaller aircraft, worth over £30m, to boost its rapid freight and parcels delivery services by air.

The company, which is the largest air freight forwarding group in the world, introduced its "Emery Air Force" five years ago to carry cargo on routes abandoned or not served by scheduled airlines.

## SHIPPING REPORT

### Tanker brokers foresee little rise in rates

By Lynton McLain

WORLD TRADE in crude oil remained sluggish in the week before Easter. Rates for tanker charters showed little change from the previous week and brokers before the holiday said they could foresee no dramatic improvement in rates in the near future.

Geoffrey Wrightson described the current market conditions for tanker owners as "disastrous". Oil contracts had been cancelled by buyers rather than oil suppliers and this led to further depression in the market.

Atlantic Richfield, the seventh largest U.S. oil group, planned to end early next month two supply contracts with Nigeria. These totalled 60,000 barrels per day.

Ashland was reported to be cutting back its supply of oil from Mexico by 90,000 barrels per day. Brokers emphasised that although these were not great volumes, the cuts did underline the glut of crude oil on world markets at present.

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## UK NEWS

## Government 'dithering' threatens foundries

By Arthur Smith,  
Midlands Correspondent

GOVERNMENT "dithering" over energy costs poses a threat to many British iron foundries, the industry warned last night. Most of the 70,000-strong workforce is currently on short time, and, without quick Government action, further closures are inevitable, according to Mr. Derek Farrant, director of the Council of Ironfoundry Associations.

He complained of "unfair competition" from low priced imports. Coke, the industry's prime energy cost, was on average 30 per cent dearer than in other European countries.

"That is a fact agreed by the National Coal Board, the Department of Industry, and the energy task force set up by the National Economic Development Office. Yet the Government when called upon to act remains dilatory and dithering," Mr. Farrant said.

The industry was pressing not for other members of the European Community to withdraw subsidies on coke but for the Department of Energy to make a similar payment.

The associations point to a study commissioned from management consultants Knight Wegenstein, of the three countries considered to pose the most serious threat to the UK—Spain, France and West Germany.

The study finds that in the UK:

- Pig-iron is about 10 per cent dearer.
- Coke is about 10 per cent higher than in Spain and West Germany, and 40 per cent dearer than in France.
- The cost of money is higher than in France and West Germany.

- Spain provides significant aid to exporters.
- Investment incentives appear to be the lowest.

- Spanish environmental requirements are minimal.
- Support in time of crisis is much more readily available in Spain, and marginally so in France and West Germany.

The study concludes that the most likely explanation of cheap imports to the UK is "the desperate attempts of gravely under-utilised foundries to maintain enough volume to have a reason to exist."

## Estate agents report modest house price increase

BY ANDREW TAYLOR

MANY estate agents report that house prices are starting to edge upwards again, according to the latest monthly price survey published by the Royal Institution of Chartered Surveyors.

The survey of more than 100 estate agents confirms that a slow spring thaw in house prices has been taking place in many areas since the start of this year. But the institution warns that a price boom is not around the corner.

The market for pre-1919 terraced houses, popular with first-time buyers, remains the strongest. Half the agents report price increases of more than 2 per cent in this sector and none report lower prices.

The survey shows that a third of agents reported that prices had risen between 2 and 5 per cent during the first quarter of this year. And significantly more agents are reporting price rises more than in previous months.

However, the institution says the bulk of agents were still reporting no change in prices. It was encouraging that fewer agents were reporting price falls.

The institution said: "There is more evidence of hardening prices, but the house market is still very irregular and sellers misinterpret the conditions if they believe that a general rise in values is around the corner."

The institution views with

concern reports that the inflow of funds to building societies is showing a marked drop from last month. It says that "house-builders are not being encouraged to build new units."

The results of the survey confirm the views expressed recently by three of the country's largest building societies—Nationwide, Abbey National and Leeds Permanent—that prices in the past two months have started to

rise again after falling sharply in January.

Leeds Permanent said last week that there had been an improvement in prices recently, although the building society's figures showed that prices during the first quarter of 1981 as a whole had fallen by 2 per cent compared with the last quarter of 1980.

A similar survey by Nationwide, however, showed that house prices rose in the first quarter by 1.1

per cent. Most societies still expect only a modest recovery in house prices the year—of about 10 per cent—following recent successive reductions in the mortgage rate.

The Leeds Permanent says: "A boom in house prices is unlikely in the current climate since the prospect of a higher rate of unemployment and little or no economic growth will continue to have a moderating influence."

## MP calls again for review of society

By Andrew Fisher

A FURTHER CALL for an independent review of the Performing Rights Society, which collects and pays money to composers whose work is performed, has come from Mr. Leslie Huckfield, Labour MP for Nuneaton and a former Minister.

He described the Society's reply to his first letter asking for such a review, three weeks ago, as "evasive and certainly not forthcoming." Mr. Huckfield's aim is to force more disclosure of the inner workings of the Performing Rights Society.

With some 12,000 members, the society has an annual turnover of £40m. Although the Performing Rights Society, set up in 1914, has widened its franchise, 400 members have 20 votes each, giving them effective control.

In his reply to Mr. Huckfield's letter, Mr. Richard Toeman, chairman of the Society, said: "It seems that you have not been at all accurately informed about the society's purpose and its workings."

Mr. Toeman further suggested that Mr. Huckfield, former Parliamentary Under-Secretary of State for Industry, "visit us at any convenient time" to see how the PRS worked.

In a second letter over the Easter week-end, Mr. Huckfield told Mr. Toeman that "your invitation to visit you behind closed doors to be educated as to the society's functions is a most inappropriate and distasteful suggestion."

Mr. Toeman's reply had also referred Mr. Huckfield to a Government reply in the House of Commons on his request for a review. Mr. Toeman said: "We have nothing to add."

The Government told Mr. Huckfield in a recent debate that his call for an official probe had not been fully justified, but it would consider any further information. It is amending the new Companies Bill, however, to make the Performing Rights Society provide details of its weighted voting system.

He reminded Mr. Toeman that he had asked clearly how much of the income distributed by the Performing Rights Society went "to the benefit of the 83 publishers included in the secret group of 400 members with the multiple votes who control the society."

## Nissan project could boost Japanese component dominance

Ken Gooding looks at the debate over British content

THE PROSPECT of Nissan setting up a £200m plant to produce 200,000 Datsun cars in the UK each year has been welcomed by Mr. Norman Tebbit, Minister for Industry.

Mr. Tebbit said: "Surely it is better for the British people to buy Japanese cars made by British workers than to buy German cars assembled by Turks."

But the motor industry has been infuriated by this simplistic assessment of a highly complex problem and one of the most significant issues it has ever had to face.

It is an issue which is causing agonised discussion throughout the European motor industry not just in Britain.

There is a widely held theory that the Japanese are ready to concentrate their main thrust in the motor industry on the component sector. They find advances in car exports to the major markets in the West blocked because penetration has gone about as far as can be politically tolerated.

But the era of "world components" high-value items made in huge numbers at relatively few centres which can be shipped to car assembly plants in all major markets, has only just begun.

Some Europeans who subscribe to the idea that Japan's industrial efforts are carefully co-ordinated by the Ministry of International Trade and Industry go so far as to suggest that the Japanese would like to make the world motor industry dependent on them for most key components. And they are afraid the Nissan project might help bring that day closer.

So at the centre of the debate is the question: On what terms should we welcome the Japanese car makers to Britain and, via

Britain, in the EEC? There are many in the UK who would reply: On any terms at all.

Even those British component makers who suggest that the Government should ask for some safeguards are worried that Nissan might be driven away by misinterpreting the debate as hostile to the project.

Certainly the outlook for car year, according to some forecasters. So it is not surprising that the component sector is suffering heavy losses, not only of jobs but of whole companies.

So, why not have the Japanese at any price, using BSC steel, Dunlop tyres, Triplex glass, and a British workforce?

The answer is that the Japanese have nearly wiped out the motor cycle, television, radio, calculator and many other electronics industries in the West and they could do the same to the car business if not held in check by political factors.

The Japanese can now produce at a cost and in such quantities as to make the whole of the European car industry unviable," says Mr. Anthony Fraser, president of the CLCA (Comité de Liaison de la Construction Automobile pour les Pays de la CEE), which includes all the European motor manufacturing associations.

The European manufacturers calculate that if Nissan established only an assembly

operation in the UK and imported all major parts from Japanese factories rather than buying them in the EEC, it could save £750 on each car. That would give the company the flexibility to choose between declaring outright price war, or making huge profits or something which combined a bit of both.

This frightens Ford in particular. Not only has Ford in the past developed the same kind of image as the Japanese—of a company which, while not in the forefront of technology, offers cars which combine reliability and value-for-money—it also knows that the car Nissan intends to produce in the UK will be a direct competitor for its best-selling Cortina.

Nissan has also stressed that it would expect the car it might produce in Britain, a 1.6 litre model in one or two versions, to be additional to its imports.

So it seems to be aiming for a market share of at least 15 per cent.

In that case, Nissan's ability

to benefit from traditional Japanese advantages, such as the supply of cheap components and sub-assemblies from smaller companies providing very low wages and poor working conditions, will result in a net loss of jobs in the UK because of its impact on other car manufacturers and the component industry. That is why the issue of local content is so important.

Nissan has already told the UK Government that if the survival of its motor industry was threatened:

Sir Michael Edwardes, chairman of BL, outlined his stance and his comments echoed those from other manufacturers such as Ford of Europe and Renault.

"If the project is genuinely intended to provide an EEC manufacturing base for Nissan products, then we shall be willing and able to compete with them. If, however, Nissan's intention proves to be to establish a largely cosmetic assembly operation in the UK while maintaining a very substantial Japanese content for its products, then we shall make strong representations to the Government.

BL Ford and Renault have all suggested that Nissan should be asked to source at least 80 per cent of its car components measured by weight so as to overcome distortions which might arise from transfer pricing.

However, Mr. Fraser points out that this would encourage the Japanese to source heavy, low-technology items like castings in Europe.

Even 80 per cent of the total ex-factory value of the car would mean that only labour, body panels, the overheads of the factory and some trim would be locally supplied and very few of the new and sophisticated items which are becoming more and more important in modern vehicles.

## De Lorean begins to export sports cars

BY OUR BELFAST CORRESPONDENT

THE FIRST shipment of sports cars from the Government-backed De Lorean Motor Company in Belfast has left Northern Ireland for Long Beach, California, for distribution in the U.S. next month.

The shipping of the 375 cars, worth more than £4m in the marketplace, means that the Government will receive

its first royalty payment of about £70,000 under the agreement to fund De Lorean's assembly plant.

The Government has committed £70m through grants, loans and equity to the project which was initiated by Mr. John De Lorean, former General Motors executive. A recent request from De Lorean

for a restructuring of its debt repayments was turned down by the Government.

The shipment comes only 30 months after work began of the building of the assembly plant.

The stainless steel-skinned sports car with its distinctive gull-wing doors is being produced at the rate of 20 a day,

soon to rise to 28, and to 50 by the end of the year. The company hopes to sell 30,000 cars a year through its 350 U.S. dealers.

De Lorean is aiming at a labour force of at least 2,000. It already employs 1,400. The car should reach the UK and the European markets next year.

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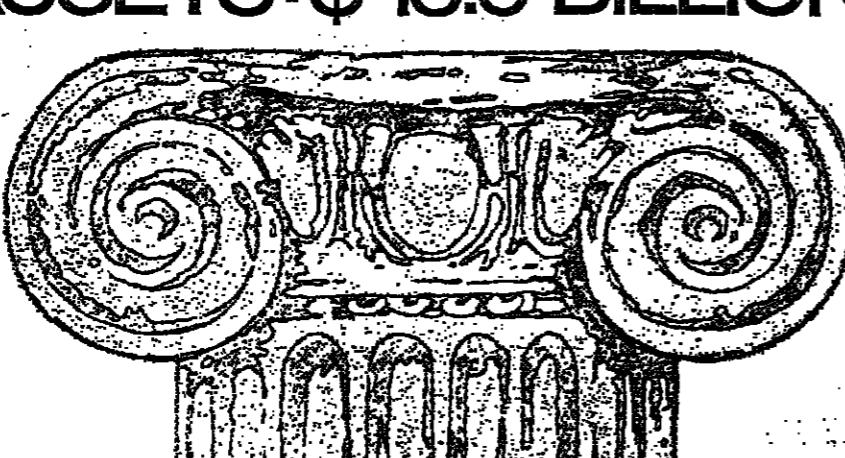
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In 1979, deposits reached \$10 billions and almost 60% of banking transactions in Greece were conducted by the National Bank of Greece.

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\*1979—consolidated figures



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# Midlands company faces the recession with confidence

Maurice Samuelson explains why prospects are good for multi-fuel boiler producers

A MIDLANDS heavy engineering company which has had no orders for three months says that it has been thriving throughout the economic recession and is confident that its fortunes will soon look brighter than ever as industry turns increasingly from oil to coal.

The company is Parkinson Cowan GWB of Dudley, a subsidiary of Thorn-EMI and a market leader in medium-sized boilers heavily geared to burning coal and waste products.

## Workforce boosted

While other companies have been closing down or reducing staff it has boosted its workforce by about 40 per cent in little more than a year and has taken over an additional 10-acre site with a view to boosting its production capacity by 80 per cent.

Like other boiler-makers, its orders have been hit, not because its customers have been all wiped out but because they are waiting for the package of grants for conversion from oil to coal promised by the Government during the recent show-down with the miners.

Mr. John Tatem, Parkinson's chairman and managing director, forecasts "a deluge"

of orders for solid-fuel burning plant once the proposed 25 per cent capital grants are fully in operation later this year. Mr. Reg Northcote, marketing director, says "after the lull we expect the good times."

In March, the company's cash inflow hit an all-time record and turnover in the latest financial year has reached £5m. In the past 18 months, the workforce grew by about 100 to more than 300 and is budgeted to rise to 420 by next March.

Now in its 50th year, Parkinson Cowan GWB can draw further satisfaction from the fact that the large construction shop, which it has occupied alongside its own 20-acre works, had to be given up by another company because of falling orders for North Sea oil industry structures.

This has special significance for a company whose fortunes remained partly, if not exclusively, attached to coal throughout the era of cheap oil which swept so many other older industries away. The fact that it is still firmly afloat makes it well placed to catch the tide now running strongly back to coal.

Parkinson attributes its survival to its pioneering role in introducing the package boiler into the UK in the mid-1950s. Previously, factory boilers were put together at their final destination. But Parkinson had



Boilers inside the Dudley works of Parkinson Cowan GWB

the foresight to buy a U.S. licence for gas or oil-fired plant in which boiler and burner equipment are married together before delivery to the customer.

The package boiler was adapted for the coal market in the 1960s by the addition of a drop tube system for sprinkling coal into the boiler's roof instead of by the traditional chain-grate or under-feed stoker.

Parkinson subsequently developed multi-fuel boilers to burn a wide variety of industrial, agricultural and municipal waste. In Spain, one of the many overseas countries in

which its boilers are made under licence, one installation burns grape skins. Another, for Bangkok, will burn rice husks.

But it is to Britain, where oil and gas boilers still outnumber coal-fired by about 50,000 to 10,000, that the Dudley factory looks for its continued expansion. Its potential customers are owners of plant requiring intensive steam raising of up to 26m British Thermal Units an hour—from hospitals and laundries to dyers and textile works.

Two multi-fuel coal-fired

boilers have recently been sold to Thermalite, which makes insulated building blocks out of ash from power stations. Weekly running costs are said to have been cut to £4,800 from the £6,600 of the earlier oil-fired boilers.

Savings of £45,000 a year have been claimed by English Rose, the kitchen and bathroom furniture makers, at Warwick, which installed Parkinson Cowan GWB boilers for burning sawdust and wood trimmings.

Later this year the company

will supply a boiler at a hospital in Derby to burn not only "waste waste" (anything from newspaper to faded flowers) but what the company delicately calls "pathological waste".

At present this material is burned in special incinerators, but thanks to a scheme to sterilise the boilers, patients will be able to play an even more direct part in the popular cause of energy conservation. Such schemes, it is claimed, can help to meet a tenth of the hospital's thermal requirements.

Like its competitors, Parkinson is looking closely at fluidised-bed combustion (in which fuel is burned on a turbulent red hot bed of sand or ash). It enables a wider range of fuels to be burnt and cuts down pollution.

But with demand still buoyant for its Vekos range of multi-fuel packaged boilers, it cautions against regarding fluidised-bed as the only key to bringing industry back to coal, a point which is supported by the National Coal Board.

One unspoken fear at Dudley is that competition will intensify once the coal conversion process starts in earnest. With the expiry of one of its important patents, it is therefore trying to patent new control mechanisms. It is also trying to improve its reputation for after sales service.

Mr. Tatem and Mr. North-

cott, who have built the business to its present level, have been with it for 34 and 32 years respectively. Their success is also the more marked in view of the number of other boiler-makers to have disappeared.

There are now only about a dozen member companies in the Association of Shell Boiler-makers compared with about 20 in the 1960s, when Mr. Tatem was its chairman. Of those, only three are still there, Mr. Tatem says.

## Victims of geography

Those to succumb were partly victims of geography. Boiler-makers, as producers of cumbersome plant, difficult to transport long distances, have tended to reflect local prosperity. Hence the decline of the Lancashire and Yorkshire textile industries is partly to blame for the fate of boiler-makers in those regions.

## Homes for sale

STOKE ON TRENT City Council, one of seven local authorities given an ultimatum by the Government for the sale of council houses, now hopes to sell up to 100 a week.

Mr. Arthur Chokerton, council leader, said: "No one has any justification to try and castigate this council or members of our housing department over this matter."

## Bargain' fine

MFI, the furniture group, has lost a test case over advertising which, its counsel said, could affect traders throughout the country.

It was fined £7,400 for using newspaper advertisements and posters at its Bradford premises which described offers as bargains, but did not give any price comparisons. The company may appeal.

## Short-time work

MARSHAMS, one of the largest engineering factories in the Chesterfield area, is to start short-time working for 600 shop floor employees. The management has told the unions that the alternative would have been over 200 redundancies.

## Pritzker prize

JAMES STIRLING, the British architect, has won the Pritzker Prize, the world's richest architectural award. The presentation of the \$100,000 (£45,500) prize will take place at a ceremony in Washington on May 19. It is the first time that the nomination has gone to Britain.

## Football tams

BRITISH RAIL confirmed today that there will be compulsory seat reservations, a suspension of most cheap tickets and a ban on alcohol on all trains from Scotland to England during the Spring Bank Holiday. Passengers affected will be those intending to travel south by any train from Scotland to England on Wednesday, May 20, Thursday, May 21, Friday, May 22 and early Saturday morning, May 23—the day England play Scotland in the football international at Wembley.

## FO refusal

MR. ROBERT CRYER, Labour MP, said yesterday that he is considering whether to raise a breach of parliamentary privilege to allow MPs to visit Diego Garcia, the British island in the Indian Ocean, as part of their parliamentary duties. The island is being developed by the U.S. as a military facility.

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## Saddlery hopes hang on showjumping World Cup

By LORNE BARLING

THE UK saddlery industry is hoping for a good showing by British riders at the International Showjumping Championships this week to boost sales, which have been in the doldrums for nearly a year.

For the first time the showjumping World Cup is being held in Britain at the Birmingham National Exhibition Centre.

Saddlery manufacturers will be displaying their goods. Competition among them is expected to be as keen as in the arena, with a large number of suppliers chasing buyers.

The focal point of Britain's saddlery and leather goods industry is in nearby Walsall. Companies there have enjoyed

a boom in the past 20 years as riding has become more popular in Europe and the United States, largely as a result of television coverage of showjumping.

But the recession has hit the riding fraternity hard and demand for new saddles, harness and the large range of demand for new saddles, harness and the large range of demand for new saddles, harness and the large range of

high quality with mass production. A large proportion of British saddles are hand made, often virtually by one person, and their quality is a major selling point—particularly in the U.S.

Although Walsall has only

three major saddlery companies, there are dozens of small concerns which have

grown in number in the past

few years as more individuals have been induced to start up on their own. It is estimated that the industry's annual sales in the UK are about £15m, with exports perhaps double that.

In Europe the main competition comes from West Germany, where one saddle manufacturer, Stubben, has achieved high quality. Hungary and Romania are selling strongly into Western Europe, where the strength of sterling is a problem for UK exporters. But there are signs that overall demand may be improving.

Mr. Wilfred Price, managing director of Eldonian Brooks, one of the largest Walsall saddlery makers, said: "Television has been a marvellous marketing aid for us, and the Royal family's involvement with

horses has also helped. But a number of companies have suffered badly in the past few months."

He believed the pattern of growth would continue, pointing out that all saddlery had to be replaced eventually.

Mr. Price, who is also chairman of the newly formed Walsall and District Saddlers and Harness Association, said there had been criticism over poor exhibiting arrangements for companies at the exhibition centre, but he believed these would be improved.

It is hoped the event will eventually become as important for saddlery as the annual sports goods fair at Stoga, near Cologne.

## Cancer researchers investigate the potential of interferons

By DAVID FISHLOCK, SCIENCE EDITOR

THEIR British tests on interferons ordered for cancer research from the Wellcome Foundation last year show that higher doses than were previously thought possible can be given intravenously to patients.

The tests, for dosage and toxicity, are being done by cancer researchers at St. Bartholomew's Hospital, London, using initial consignments from a firm ordered placed by the Imperial Cancer Research Fund.

Side effects from these

high doses of interferons are described as "unpleasant but manageable" by Dr. Walter Bodmer, the ICRF's director of research, in the medical charity's annual report.

They are not usually as severe as those obtained with the most widely used types of drug for treating cancer at present, Dr. Bodmer says.

But he warns that amounts of interferon available "though appreciable, are still limited relative to the needs for major clinical trials."

They hope the drug can switch off growth in living

cells. If so, and provided it can be administered specifically to cells that are growing uncontrollably, it may be able to arrest the growth of malignant tumours.

The side effects are similar to the symptoms of influenza—high fever, headache, tiredness and loss of appetite. Mild liver damage, a fall in white blood cells, and thinning of hair have also been reported.

The first trials with the Wellcome drug will probably

be in patients who are not responding well to treatment by other cancer drugs, such as those with cancers of the lung, skin or blood.

In its accounts the ICRF, richest of Britain's cancer research charities, says that it received £15.7m in 1980, an increase of 19 per cent on the previous year.

Imperial Cancer Research Fund Annual Report and Accounts 1980, PO Box 123, Lincoln's Inn Fields, London WC2A 3PX.

Changes in small claims procedures should make it easier for consumers in England and Wales to go to court over disputes with dishonest traders, says the National Consumer Council.

The cash limit for small claims which can be heard under the low-cost county court procedure, is being raised from £200 to £500.

Cases involving sums up to £500 will now automatically be heard by informal arbitration

"The cases are usually heard in the registrar's own office instead of the rather imposing court room," said Mr. Richard Thomas, NCC legal officer.

Small claims court changes

under new rules introduced by the Lord Chancellor.

Solicitors' costs will not be recoverable by parties to a dispute heard by informal arbitration and it will be possible for county court registrars to decide for them selves how best to conduct it in the interests of justice.

However, that position is unlikely to be reached for some time. If and when it is, it will be reconsidered.

## Redundancies

Clarke and Sherwell the Northampton printing firm, is making 33 of its 167 workforce redundant because of a decline in orders.

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JULY 1981

# British Government and IRA on another collision course

THE BRITISH Government and the Provisional IRA again seem to be on a collision course over the question of political status for terrorist prisoners in Northern Ireland.

Over the past weekend, loyalist Unionist feelings have been inflamed by the visit by the Sinn Fein to Mr. Bobby Sands, the terrorist who on hunger strike in Maze Prison, Belfast, Northern Ireland, and was recently elected as a Member of Parliament at Westminster. Mr. Sands was given the last rites on Saturday.

The Irish Republican view is that because of the international publicity that the hunger strike is causing—publicity which has increased since Mr. Sands was elected as the MP for Fermanagh and South Tyrone—and the increased tension and violence in Northern Ireland, Mrs. Thatcher, the British Prime Minister, will come under great pressure to concede to the hunger striker's demands for political recognition. This pressure will be that much greater if Mr. Sands continues his hunger strike (despite the fact that the Eire MPs might have urged him to call it off) and dies.

The mood is tense after Sands' election. Stewart Dalby reports from Dublin

Mr. Sands is now in the 52nd day of his hunger strike in prison. In the last hunger strike last year, Mr. Sean McKenna was given the last rites on day 53.

Mr. Sands' condition is described as "progressively weaker" by the Northern Ireland Office. His family say he is about to go into a coma.

His strike has led to violence. There have been four consecutive nights of rioting in Londonderry, Northern Ireland. Sunday night two teenagers were killed when hit by a British Army Land Rover.

Tension is running high. The Provisional IRA has threatened a campaign of violence should Mr. Sands die. Retaliatory action by Protestant paramilitary groups—or at least demonstrations by loyalists over the Irish MPs' visit—are also likely.

Apart from anything else, Mr. Sands' death could have serious consequences for the chances of moderate Catholic groups such as the Social Democratic and Labour Party in Northern Ireland's district council elections on May 20.

It could also make life difficult for Mr. Charles Haughey, the Irish Prime Minister, as he probably approaches a general election. This in turn could affect the so far fruitful joint Anglo-Irish initiative on Northern Ireland.

Three of the current four hunger strikers are members of the Provisional IRA. The Provisional Sinn Fein, the political wing of the Provisional IRA, and the National H Block committees with whom they are closely associated, feel that Mr. Sands' campaign has been given a boost by his election as an MP just over a week ago.

Mr. Sands, who was the only Nationalist standing in the by-election, beat the only Unionist, Mr. Harry West, by 1,444 votes out of a total vote of just over 62,000—86.7 per cent of the electorate.

What this victory demonstrated, according to Mr. Sands' supporters, was that the Catholic population is wholeheartedly behind the Provisional IRA in their demands for prison reform which call for them to be reorganised as political prisoners. They do not claim that the

vote was a mandate for violence but a reflection of humanitarian concern.

Before Christmas, the hunger strikers made five demands about prison conditions. The British Government granted three and two halves of the

the House of Commons last week. The Government is continuing the policy of the last Labour Government which states that there is no such thing as political murder or political acts of terrorism.

The weakness of the Government's position, as seen in some US and European quarters is the methods under which the Provisionals were convicted.

The system in Northern Ireland is one of so-called Diplock courts—that is, one judge sitting by himself. Usually, convictions are made on confessions.

In the past, as the Bennett Commission concluded, confessions have been known to be beaten out of suspects.

It has been argued that trial by jury is not possible because of the threat of intimidation. But even in Dublin, special criminal courts have three judges. However, it does bear repeating that the European Commission on Human Rights agrees with the British Government that the terrorist prisoners should not be granted political status.

Besides all this, convicted

terrorists enjoy a psychological advantage that they do not consider themselves criminals and do not suffer the remorse and guilt that criminals might suffer.

It is questionable, for example, whether the same type of voting pattern among Catholics would occur in East Belfast or South Belfast.

There was only one Nationalist candidate in Fermanagh. As

Mr. Haughey explained last weekend, anyone who knows the constituency would have expected the result because keeping the Unionist out is of greater importance than anything else.

The district council election, which will be on the basis of proportional representation, may provide a better guide to Provisional IRA support, although it now seems that the Provisional Sinn Fein is not planning to contest these elections.

But even if the Provisional IRA does enjoy mass support, it should be borne in mind that, in the last resort, it is mass support among the minority.

The Provisional IRA regard

themselves as the heirs of the martyrs of the 1916 uprising. But these men enjoyed the support of the bulk of the Irish population. The British general election immediately after World War I showed this when Sinn Fein swept the board.

In effect, the Republican prisoners in the Maze already enjoy special status. Most of their demands have been met.

Through a process of semantics, Mrs. Thatcher and Mr. Atkin may be able to satisfy the prisoners' outstanding demands. However, if Mrs. Thatcher grants political status—or makes concessions which are seen to be tantamount to political status—she may have to face great trouble among the Unionists.

By making such a decision, she would effectively legitimise the Provisional IRA and recognise its aspirations as a bona-fide political movement.

There is a majority of 1m Protestants in Northern Ireland who do not want anything to do with the Irish Republic. They would consider themselves entitled to believe that their violent wings should also be legitimised.

## Freight proposals 'favour Continental systems'

BY LYNTON MC LAIN, TRANSPORT CORRESPONDENT

PROPOSALS from the European Economic Community to promote the combined road and rail movement of freight have been attacked by the Freight Transport Association because of their "limited scope."

The EEC proposals in the draft directive COM (80) 796 on combined transport call for financial aid. But the

FTA, which represents the transport interests of 16,000 companies in industry and commerce in Britain, said last week that the proposals for financial aid were biased towards the continental "piggy-back" systems where lorries are carried on trains.

Britain's rail network does not have the operational gauge for this type of traffic. The association said the EEC

proposals would harm container systems in Britain, such as that operated by British Rail's Freightliner company.

Delays in the harmonisation of technical aspects of transport among EEC member states mean that under the EEC proposals financial aid could be used "to promote the incompatible French and German piggyback services

which have a limited capacity for international development," the FTA said.

Even if the problem was resolved there must be doubts on the viability of a piggy-back system in the UK domestic freight market running parallel with the sophisticated and extensive Freightliner container system," the association said.

## Businessmen to lobby MPs over duty on dairy

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE Confederation of British Industry will mobilise its regional political contacts after the Easter Parliamentary recess to try to persuade the Government to cut its planned 20p a gallon increase in the duty on dairy.

Members of Parliament of all political parties will be contacted by local businessmen in their constituencies and will be asked to oppose

the increase when the Finance Bill passes through the Commons.

The CBI estimates that the 20p increase, which will provide the Treasury with revenue totalling about £270m in 1981-82, will add 5 per cent to business costs.

It has decided to throw its weight behind a campaign being waged on the issue by the Freight Transport Association and the Road Haulage Association.

It hopes that its campaign will persuade the Government to cut the increase, which was announced in the Budget, before Parliament votes on the issue.

Otherwise it will have to decide whether to ask MPs to vote against the increase. This would be a controversial tactic because of the staunch

## BA introduces West Canada link

BY FINANCIAL TIMES REPORTER

BRITISH AIRWAYS, which this year celebrates 40 years of air links with Canada, inaugurates on April 23 its first scheduled service to Western Canada.

The new London link with Vancouver, Edmonton and Calgary brings the world to Western Canada's doorstep by connecting with British Airways' comprehensive global network.

The new services, which com-

plement the regular flights already available to Toronto and Montreal, are timed so that passengers can make easy connections from 100 cities in Europe, Africa and the Middle East.

Mr. Gerry Draper, British Airways' director of commercial operations, said today: "This is an exciting new chapter in our long association with Canada. The Western Provinces of British Columbia and Alberta offer tremendous chal-

lenges and opportunities for tourism and business alike."

There will be four flights a week from Heathrow to Vancouver—it becomes a daily service during the peak summer months between June and October—with two flights a week going via Edmonton and two a week via Calgary.

All flights will be by wide-bodied Boeing 747 aircraft with a journey time to Vancouver of as little as 10 hours.

## Small airline expects good year

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIR UK Commuter Services, the name given to the new small-aircraft operation which Air UK began earlier this month, plans to attract 100,000 passengers in its first year.

Mr. George Eaton, general manager of the service, says that initial passenger reaction to the plan is encouraging.

Using six Brazilian-built Bandeirante twin-turbo-prop aircraft, each seating 17

passengers, Air UK Commuter Services is flying regularly between Exeter-Paris, Exeter-London-Gatwick; London-Gatwick-Rotterdam; Southampton-Ostend; Southampton-Paris (Orly); Southampton-Amsterdam; and Jersey-Paris (Orly). These eight routes will be flown by 79 round-trip services each week.

Regional airline based at Humberside Airport, is to start a scheduled service between Humberside and Heathrow, via Norwich, on April 27, using twin-piston engined DC-3 aircraft.

• The UK is to collaborate with France, West Germany and the Netherlands on aerospace research and technology under a new agreement between the four countries.

## West Scotland shows recovery signs

BY MAURICE SAMUELSON

SIGNS of economic recovery in the West of Scotland, one of the areas worst hit by the recession, are reported in the latest quarterly survey by the Glasgow Chamber of Commerce.

The Chamber found, in its two preceding surveys, signs that the recession was bottoming out. But its report for the first three months of 1981 says that the indicators were mov-

ing upward more markedly than before.

More companies were now reporting better home sales and orders. Although there was no movement in export sales, export orders were improving.

Production, stock levels, employment and investment intentions were also stronger. Almost twice as many busi-

nesses as three months ago expected turnover and profitability to improve in the next quarter.

While cautioning that economic activity was still at a low ebb, the Chamber said: "There can be no doubt that things have improved slightly but steadily, and that in the West of Scotland the recession probably bottomed six months ago."

## INDUSTRIAL ACTION IN BANK BRANCHES.

The Banks listed below regret that industrial action by some members of one of the banking unions may affect services in certain branches on Wednesday, 22nd April, 1981.

The areas likely to be affected are Merseyside, the West Midlands, Avon and the West End of London.

The Banks will make every effort to keep branches open and maintain services in the affected areas.

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**UK NEWS - LABOUR**

**CBI staff  
pay rises  
average 7.5%**

By Our Industrial Editor

**SALARY INCREASES** awarded this year to staff of the Confederation of British Industry averaged 7.5 per cent. Sir Terence Beckett, CBI director-general has announced.

This figure is in line with the scale of increases being recommended by the CBI for its member companies.

During the financial year 1980-81, the CBI had a £30.000 deficit on a turnover of £6.9m. Sir Terence said he hoped that the organisation would "break even" in 1981-82.

Subscription incomes had increased slightly during the past year despite the row last November over the CBI's attacks on the Government and despite companies cutting back on overheads because of the recession.

**Perkins warns  
workers over  
unofficial action**

**ABOUT** 6,000 workers at the Perkins Diesel Engine plant at Peterborough have been warned that jobs are at risk from unofficial strikes.

Production has been disrupted twice this month by stoppages over pay at a time when the company is losing orders because of a slump in overseas sales.

A letter to all shopfloor employees over the Easter holiday asks them to think twice before taking industrial action

**Strike at paper**

**THE SCOTSMAN** newspaper, printed in Edinburgh, did not appear yesterday as 200 journalists on The Scotsman and the Evening News went on strike in support of a pay claim.

**Workers' control boosts pit output**

**MINERS** AT the Snowdown pit in Kent—one of the country's biggest loss makers and marked for closure earlier this year—say that production and morale at the pit have climbed sharply since the introduction of a management system in which there is a considerable element of workers' control.

Much of the production and manpower planning at the pit, and a certain amount of day-to-day management, has been devolved upon a working party largely consisting of trade union representatives from the pit and the Kent area of the National Union of Mineworkers.

The system has been judged as successful that it has been adopted in two other pits in Kent.

The working party, first formed last August, has seen production rise from 3,700 tonnes a week average at the end of last year to a rate of about 4,500 tonnes a week now. It aims to have an output of 5,000 tonnes by the end of this year, and is putting into effect plans to open two new faces.

It has brought a new underground roadway into service earlier than planned, thus getting mineworkers to the coalface earlier and taking them away later.

Mr. Morris Bryan, the chairman of the NUM pit branch

man of the NUM pit branch said: "We hope to have the materials going in this way in the next month, and that will give us an added boost."

The working party has taken up a long-standing demand of the area union, to drive down to a new seam beneath the present workings. The union believes that the viability of the pit has been proven, given the availability of extra reserves.

manager, and Mr. Tom Rutherford, the deputy manager.

The South Midlands area of the National Coal Board, which takes in Kent, was cautious about the new structure's success, and pointed to a similar system which had been operated in two Derbyshire pits.

However, while management at Kent area and pit level would make no official comment it is understood that they see the

the new structure at Snowdown has brought problems—notably the predictable one of miners regarding their representatives on the working party as management men.

But Mr. Bryan believes such objections are short-lived. "We are always going among the men and explaining our decisions and getting their advice. We organise canteen meetings for all shifts to explain what we are doing. There is a much better feeling in the pit now all round."

Snowdown was one of the 23 pits which the NCB had listed for closure in February—a list which was withdrawn when the Government promised massive extra aid for the industry in the face of miners' strikes.

Mr. Collins said that the success, already perceptible at Snowdown before the threatened action, was a contributory factor to the hard line taken by Kent miners on the action. But it did not interrupt the improvement in working relations.

"Obviously there are people who will say: there might be problems in this approach. But we thought, if we don't do it ourselves at Snowdown, nobody would do it for us. We have to prove it can work."

Mr. Collins and Mr. Bryan both admit that the success of

**John Lloyd reports on how a condemned mine managed to raise its morale and output**

Mr. Bryan and Mr. Jack Collins, the Kent area NUM secretary, believe that the working party has raised workers' involvement in decision making to a new level. Mr. Collins said: "I'm in favour of workers in the coal industry taking decisions once having these decisions implemented. This is a big step in that direction."

Both officials pay tribute to the enthusiasm for the new structure shown by Mr. David Hanson, Snowdown's acting

system as a fruitful development which has helped overcome the often strained industrial relations in the Kent coalfield.

This is clearly shown by the other two Kent pits, Bettehanger and Tilmanstone. Both are like Snowdown, low productivity pits with difficult working conditions and a militant tradition among the mineworkers.

Mr. Collins and Mr. Bryan both admit that the success of

**Scottish unions to fight redundancies**

BY JOHN LLOYD, LABOUR CORRESPONDENT

SIGNS of a hardening attitude towards the continuing high level of redundancies in British industry emerged yesterday at the opening session of the Scottish Trades Union Congress in Rothesay.

Mr. James Morrell, the STUC president, told the 84th congress that the Government was "the most calculatedly anti-human collection of individuals who have ruled this country since

we firsts started to win the battle for British democracy."

Mr. Morrell told the delegates, representing nearly 2m workers, that the Government would have a fight on its hands.

Pointing to the 12-week occupation of the Lee Jeans factory in Greenock by its 240-strong female workforce who had been threatened with redundancies, Mr. Morrell said that they were an example to workers.

"They prove that if we fight in the right way, even under the present Government, closures are not inevitable. They prove that trade unionism can, and must, win wide public support in fighting redundancies and in fighting for a change in policy."

The Lee Jeans' occupation is being cited by many delegates as a symbol of resistance to what is seen as the effect of Government policies. Mr. Michael Foot, the Labour leader, will visit the plant tomorrow.

The STUC General Council will move an emergency resolution during the congress calling on the Government not to use troops in industrial disputes.

A further motion called on the congress to expel unions which use "any provision of the Government's Employment Act 1980."

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36	235	267	274	279	287	460	560	681	814	947	1063	1149	1229	1317	14106	16111	18314			
37	278	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	
38	294	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	
39	295	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	290	291	292	
40	296	286	287	288	289	290	291	292	293	294	295	296	297	298	299	290	291	292	293	
41	297	287	288	289	290	291	292	293	294	295	296	297	298	299	290	291	292	293	294	
42	298	288	289	290	291	292	293	294	295	296	297	298	299	290	291	292	293	294	295	
43	299	289	290	291	292	293	294	295	296	297	298	299	290	291	292	293	294	295	296	
44	300	290	291	292	293	294	295	296	297	298	299	290	291	292	293	294	295	296	297	
45	301	291	292	293	294	295	296	297	298	299	290	291	292	293	294	295	296	297	298	
46	302	292	293	294	295	296	297	298	299	290	291	292	293	294	295	296	297	298	299	
47	303	293	294	295	296	297	298	299	290	291	292	293	294	295	296	297	298	299	290	
48	304	294	295	296	297	298	299	290	291	292	293	294	295	296	297	298	299	290	291	
49	305	295	296	297	298	299	290	291	292	293	294	295	296	297	298	299	290	291	292	
50	306	296	297	298	299	290	291	292	293	294	295	296	297	298	299	290	291	292	293	
51	307	297	298	299	290	291	292	293	294	295	296	297	298	299	290	291	292	293	294	
52																				





# The Queen's Awards FOR EXPORTS AND TECHNOLOGY

## Books, perfume and generators among the clues to export success

BY JAMES MCDONALD

WHETHER by inclination or because of a depressed home market, more small companies are operating successfully in the export field, if the 1981 Queen's Awards for Export Achievement are any guide.

Of 92 awards to British firms this year, 46—exactly 50 per cent—are in the small company category measured by workforce of under 200.

This compares with a proportion of about 40 per cent in recent years. In this category, moreover, 16 companies have less than 50 workers and 14 between 50 and 99.

In several cases the small company is a subsidiary of a group, but the greater involvement of the smaller unit in exporting is evident.

The young founders of one small winner, Braithwaite and Taylor, give the lie to a widespread belief that only masochists and Mr. Harold Macmillan think exporting is fun.

With backgrounds in management consultancy and publishing, Peter Braithwaite and Bing Taylor mortgaged their homes over three years ago and set their sights firmly on the overseas potential when they launched a new book-marketing concept.

Through a quarterly book review magazine, *The Good Book Guide*, and an efficient international postal supply service they claim to make newly-published British books available to customers anywhere in the world at the same time as they appear in UK bookshops.

The company's sales abroad have grown from about 3,000 books in 1977 to nearly 100,000 annually; the original team of four in Battersea has expanded to 18; and exports last year were valued at about £500,000.

*The Good Book Guide* has 20,000 subscribers, and there are book customers in more than 100 countries.

Possible the smallest export award winner in labour terms is

Milton-Lloyd Associates, of Milton-Lloyd Associates, of

Formed in 1975 by Mr. P. H. J. Jackson, who was then a perfume salesman covering the Middle East, it employs eight people and represents various British perfumery manufacturers in overseas markets, mainly in the Middle East.

It makes and markets its own brands. In the three years to September 1980 exports have more than trebled in value from £800,000 to £2.3m.

International Textile Company, of Skipton, Yorks., is another very small company, founded 12 years ago by Mr. Peter Robinson after he was "thrown out" of his job as chairman and managing director of the then Carrington and Dewhurst company.

It produces quality furnishing fabrics screen-printed in up to 18 colours. Exports in the last financial year accounted for over 80 per cent of total turnover.

Scotch whisky is seldom absent from the awards and this year it is represented by Berry Bros. & Rudd—the owners and exporters of Cutty Sark whisky, whose sales abroad have totalled over £200m in the past 10 years—and by The Glenlivet Whisky Company. Owned by The Seagram Co. of Canada, Glenlivet exports 12-year-old malt whisky worldwide in bottle.

Also in the drinks sector, Lupofresh, a small London merchanting company, wins an award for its success in exporting British hops and hop products, available for larger brewers.

Two of Britain's industrial giants, GEC Turbine Generators and Babcock Power, who take the major shares in the £550m contract announced last month for building by UK industry of a power station in Hongkong, are award-winners this year, though this contract came too late to be considered for the awards.

The export award to GEC

Turbine Generators, and technology awards to two other GEC subsidiaries, Hall Automation and Marconi Communications, bring to 58 the grand total of awards won by GEC companies since the scheme began 16 years ago.

Babcock Power, with the collapse of the UK power generation plant market, has made strenuous efforts to continue to increase total exports.

Three years' sales efforts have

raised the company's direct exports from £19m in 1977 to £24.6m in 1978, and to £45m in 1979, representing 18.3, 23.9 and 28.8 per cent respectively of total sales in those years.

"Our 1980 and 1981 figures

will show even further improvement in our export record", states Mr. Roy Baxley, managing director of the company's contracting division.

The two divisions of ICI win awards this year: the Mond Division, manufacturing mainly

alkalis and a range of chlorine and fluorine derivatives, and exporting more than 100 products regularly to about 120 countries; and the Petrochemicals Division, its output ranging from primary products of oil-processing such as ethylene and benzene through to such finished products as detergents and brake fluid.

Davy Loewy, the Sheffield engineering company and a Davy Corporation subsidiary, has won its fourth award, bringing to 16 the total given to Davy Corporation companies since 1966.

In the three years to 1980 the company increased its direct exports by nearly 200 per cent, from £13.5m to £35m; exported to over 40 countries; and carried out important work in four new markets, Brazil, Eire, India and Italy.

A "double" is achieved this year in the export and technology sections by Lucas CAV.

With the export award for trebling overseas sales between 1978 and 1980 of all

diesel fuel injection equipment made by the company in Britain.

Another winner, Macawber Engineering, founded seven years ago in the wake of the oil-price explosion has established a worldwide reputation for its pneumatic "Denseveyor" handling system, which is encouraging industry to return to coal.

The "Denseveyor" pushes coal, or other materials such as sand or gravel, along a delivery pipeline at low speed and controls the flow with a specially designed and patented dome-shaped valve.

The City of London is represented by three export earners this year: the Guinness Peat Group; Inter Commodities; and Merrett Syndicates—the largest independent managing agent or underwriting group at Lloyd's.

This is the first year that a Lloyd's underwriting agency

specifically has won an award. Merrett Syndicates' 3-year accounts for 1975, 1976 and 1977 show net earnings—referring only to U.S. and Canadian dollar earnings—respectively at £15m, £19m and £33m. The group manages the second largest marine syndicate at Lloyd's, has an aviation syndicate and one of the two Lloyd's credit syndicates.

The Guinness Peat Group covers the operations of 24 subsidiaries spread over a chemicals division, a commodity broking and dealing division, a merchandising division, and an international projects' and commodity processing division. Over the three years to end-April 1980 earnings from all exports rose by 58 per cent to £29m, with the "Invisibles" element rising from £5.5m to £9.5m.

### AWARDS FOR EXPORT ACHIEVEMENTS

ACS Engineering	Hydraulic access platforms	Specialist educational furniture	Particle size instruments
AVX	Ceramic/chip capacitors	Oil industry services	Vending machines, beverages
Walter Alexander & Co. (Coachbuilders)	Bus/coach bodies	Exploration and Production Services (Ventures)	Iron, steel/scrapp
Associated British Maltings	Malted barley	Product	Merrett Syndicates
The Associated Octet Company	Lead alloy compounds	Fernau Avionics	Guinness Peat Group
Aviation Traders (Engineering)	Aircraft and components overhaul/repair	Firebreak Lighting	Moors of Camforth
BIS Software	Computer systems/services	Fort Vale Engineering	L. G. Mouchel and Partners
Babcock Power	Steam boilers, pressure vessels	Foster Wheeler Power Products	Neutech
The Printing Machinery Division of Baker Perkins	Printing presses, numbering machines	G. E. & W. C. French (Taunton)	The Engineering Division of Orme Polymer Engineering
Barrie Knitwear	Fully fashioned knitwear	GEC Turbine Generators	Park Air Electronics
Berry Bros. & Rudd	Cutty Sark Scotch whisky	Glenlivet Whisky Company	Perkins Engines
Black & Decker	Portable power tools	Glossop Superalloys	Pirelli
The Chemicals Division of Bong-Warner	Plastics, modified resins, polymer additives	Guinness Peat Group	Plessey Semiconductors
Bradbury, Wilkinson & Co.	Security document printers, machinery	Haden International	Preformations (Magnets)
Braithwaite and Taylor	Book guide magazine and book supply	Houderet & Co.	Pye TTV
British Hardwood-Fairmont	Glass container industry equipment	The Mond Division of Imperial Chemical Industries	Pyroly Holdings
British Manufacture and Research Company	Defence equipment	The Petrochemicals Division of Imperial Chemical Industries	The Transmission Bearings Division of RHP Bearings
The Pectin Division of H. P. Bulmer	Citrus/apple waste powdered pectin	Instrument	Racial Communications
CQC	Sleeping bags, protective clothing, carrying equipment	Inter Commodities	Renishaw Electrical
The Recliner Factory of Cam Gears	Car/truck steering gears	International Textile Company	Rowntree Mackintosh
Camber International (England)	Circular knitting machines	J. C. B. Service	Seabourne Express
Cementation International	Civil engineering, construction	Keystone Valve (UK)	Servicel Group
Conoco	Petroleum coke/gases/liquids	Lepointe Brosch Company Division of Staveley Machine Tools	Shackleton Engineering
Crown House Engineering International	Electrical/mechanical engineering	The Lep Group	Shemming International
The Daventry Division of Cummins Engine Company	Diesel engines	Tim Actuation Division of Lucas Aerospace	Short Brothers
O. J. B. Engineering	Articulated dump trucks/derivatives	The CAV Fuel Injection Equipment UK Division of Lucas CAV	Silberline
Davy Loewy	Metalworks plant equipment	Lupofresh	Simon-Hartley
Dowty Mining Equipment	Mine roof support systems	Macawber Engineering	Solid State Logic
F. Drake (Fibres)	Polypropylene fibre	Kenneth Mackenzie Holdings	The Magnesia Division of Steetley Minerals
			Henry Taylor (Tools)
			Vestivius Crucible Company
			Williams Grand Prix Engineering
			Woodworking tools for craftsmen
			Refractories/refractory shapes, crucibles
			Formula One racing cars

# How International Paint saved an industry 36 million dollars

25% of the world's largest oil tankers are saving fuel amounting to more than \$36,000,000 per annum. And it's due to a revolutionary bottom coating called Intersmooth SPC self-polishing copolymer, developed by International Paint.

As its name implies, the product smooths in service. This reduces friction and saves precious fuel. Intersmooth SPC is also being specified for container ships, cargo liners, passenger liners, ferries and bulk carriers. Helping to cushion ship operators against the swinging increases in the price of fuel. That's not all: The new International Paint anti-corrosive primer is putting years on the life of UK built cars.

60% of the world's offshore drilling rigs and platforms are protected by International Paint. And they have the real thing for keeping the flavour of drinks untainted in cans.

International Paint have more than thirty associate companies world wide and on Tyneside the largest marine paint laboratory in the world. With talent that's put Britain years ahead of the competition.



International Paint

Henrietta House  
9 Henrietta Place  
London W1  
Telephone 01-580 6577

and won the Queen's Award for Technical Innovation

Set in 100



*Just in 110*

**Her Majesty the Queen has made 92 awards to British companies for export achievement this year and 17 for technological achievement**

## Small companies prove prowess in technological achievement

BY DAVID FISHLOCK, SCIENCE EDITOR

A RECURRING phrase—it crops up no fewer than seven times in this year's list of Queen's Awards for Technological Achievement—is "this small company."

The award-winning innovations of these seven range from Ambic's ideas for diagnosing mastitis, a disease which costs the British dairy industry about £50m a year, to Optical Activity's automatic polarimeter for quality control in the food and drug industries.

The Flexible Diamond Tool Company claims to be the smallest recipient this year, if not ever, with a payroll of only six. It was founded in 1977 to exploit the invention of Derek Prowse of a novel way of making a diamond tool, at once flexible, fast-cutting and long-lived.

"Like most successful inventions it's very simple," says Prowse. He takes copper wire mesh and presses it into polypropylene to form a reinforced plastic with copper peaks poking out. He then electroplates the peaks with nickel in a way which allows fine diamond grit to become incorporated into the nodules of nickel. The tool lasts longer because it dissipates heat so well yet is sparing in its needs for diamond, says Prowse. It has been patented worldwide.

Last year, Flexible Diamond Tool decided to strengthen its management by bringing in Mr. John Griffiths-Jones, a manage-

ment consultant, as chairman, on what he calls a "substantial part-time basis" and Mr. Ken Gadsby as managing director.

With Prowse, they have put in about £70,000 of their own money, to which Midland Bank Venture Capital has added £60,000 and the National Research Development Corporation £30,000 for development.

Mr. Griffiths-Jones says his interest lies in "young companies with growth potential, and in 'getting in at the point where it really matters.'

Hall Automation is a small Watford company which has found a very big sponsor. Its business is industrial robots. It was born when Mr. Douglas Hall carried on a venture into robot development abandoned in the mid-Seventies by Hawker Siddeley Dynamics. Its award is for its HAL System 90, the microprocessor control system behind all of its new robots.

The sponsor Mr. Hall found in 1979 was Marconi, the industrial and military electronics wing of GEC. Today, his team numbers about 40. As managing director of a Marconi subsidiary, he enjoys both the financial support of the parent and access to its two big research centres, at Wembley and Chelmsford. Its latest markets in Britain include the car and earthmoving equipment industries, for robots programmed for paint-spraying and arc-welding. For Marconi it is

one of two awards this year, the other being for its high-frequency radio set "with full digital remote control" for which it has won £50m of orders over the last five years.

Ireland Alloys of Hamilton, Scotland is another small company—185 employees—whose award has been for its process technology. It has found ways of reprocessing the costly, high-duty alloys used in aero-engines, to standards of purity acceptable to the engine-makers for re-use in new engines.

### Metals

It claims that its re-cycled alloys, rich in such metals as nickel, cobalt and chromium, have saved British imports worth £22m and manufacturing costs amounting to another £13m in the last three years.

It is the biggest component of the Ireland Alloys (Holding) group, an unquoted company with subsidiaries in the U.S. About 40 per cent of its shares are held by employees and their families, and the balance by (mainly Scottish) investment institutions.

"I guess we qualify as a small company," said Mr. Peter Hewitt, marketing executive of Micro Focus, a computer software product house with a staff of about 40. It claims to be the first company to win the

award for technological achievement purely for computer software.

The product, CIS COBOL, has "new and advanced technological qualities which confer market leadership," says the citation. Its strength is that it extends the usefulness of the business programming language COBOL to those who want to exploit the latest microprocessor technology. CIS stands for "compact, interactive standard."

Micro Focus was founded in 1976 by Mr. Brian Reynolds, its chairman, and Mr. Paul O'Grady, who now runs the U.S. end of the business. Initially, they financed themselves with advanced payments on research contracts.

In 1978 it was introduced by Barclays Bank to Industrial and Commercial Finance Corporation (ICFC), to raise capital for expansion. Today, about half the employees are engaged on software research and development in Swindon, Wiltshire. "This capital has enabled us to work independently of sales pressure," says Mr. Reynolds.

By "happy coincidence" says Mr. Reynolds, two Micro Focus salesmen—one being Mr. O'Grady—are to receive awards from a U.S. publisher for U.S. sales exceeding \$1m last year. He believes that this shows that the principle of the Queen's Awards—namely, to

encourage UK companies to compete with overseas competitors and not just let UK innovations disappear abroad—really is working.

Better known names, however, still captured the lion's share of the awards for technology. Lucas CAV gained its prize for the Microjet, a miniaturised diesel fuel injector for which it has turned a formidable technical talent loose both on the product and the manufacturing techniques.

A newly-equipped factory at Ipswich, Suffolk using advanced manufacturing techniques, has already turned out 2.5m of these fuel injectors, mostly for the U.S. market. Now, it is building up production in the U.S. itself.

General Motors, its main customer, claims to be rapidly overhauling Volkswagen and diesel-engined vehicles.

### Energy

Froude Engineering, of the Redman Heenan International group, earned its award for its LS range of dynamometers. These are the machines which soak up the energy of engines on test. The LS range includes 10 machines with capacities from 7,000 to 100,000kW.

Mr. Arthur Shillito, managing director, claims it is "one of the most significant advances in engine test technology since Froude introduced the concept of continuous power absorption by hydraulic machines more than a century ago."

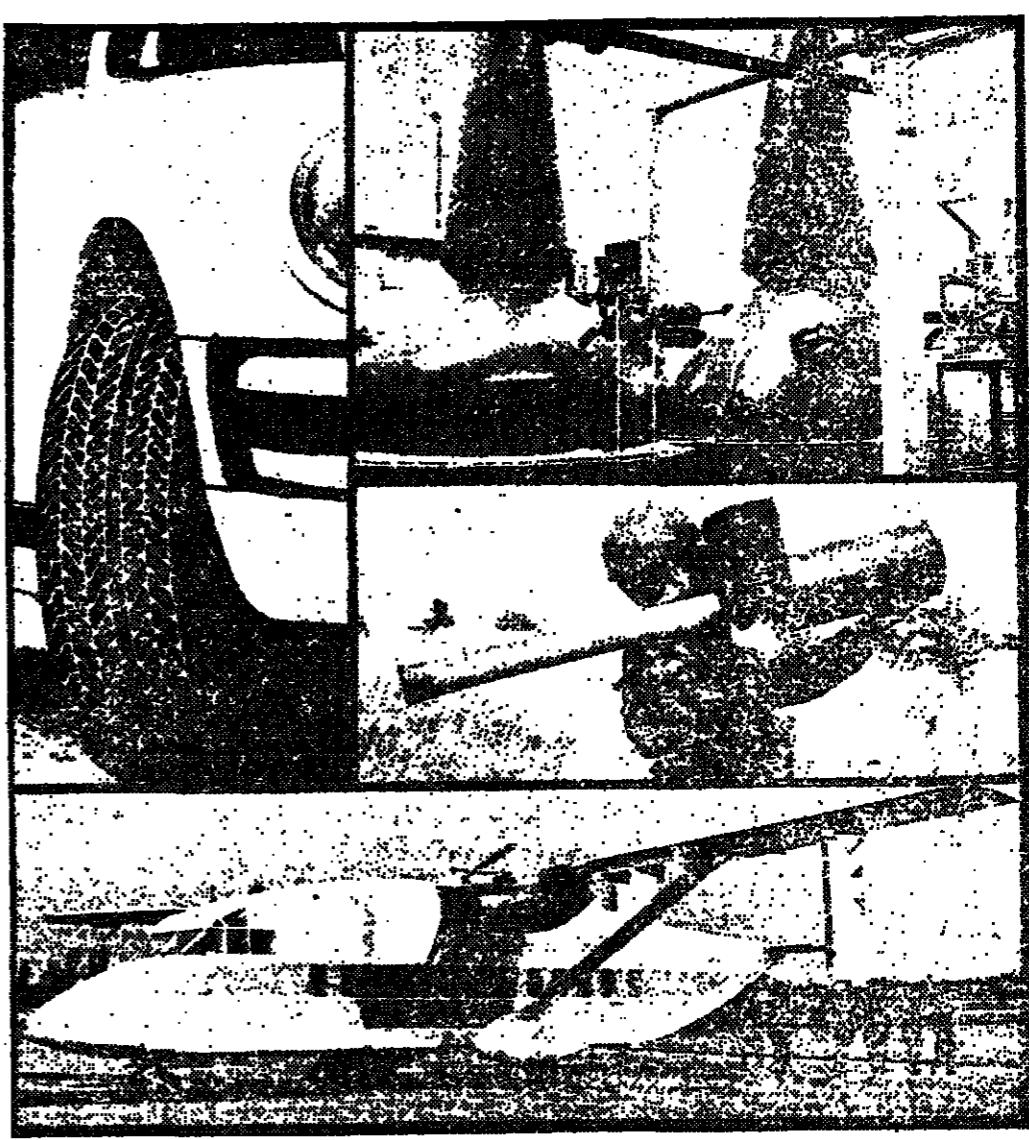
The technological achievement of Conder has been around rather longer—a new method of building which "retains all the benefits of traditional individuality but enables projects to be completed in nearly half the time," says the company.

It was developed by Conder in the late 1960s but has seen a big injection of new data in the mid-to-late 1970s. "You can do virtually anything with it

that you can do with reinforced concrete," claims Mr. Terry Holder, group marketing director. Mr. Holder admits that it has been "very painful on occasions," not least because of the case for reinvesting "hundreds of thousands of pounds" in development to help secure their own future, he says.

### AWARDS FOR TECHNOLOGICAL ACHIEVEMENTS

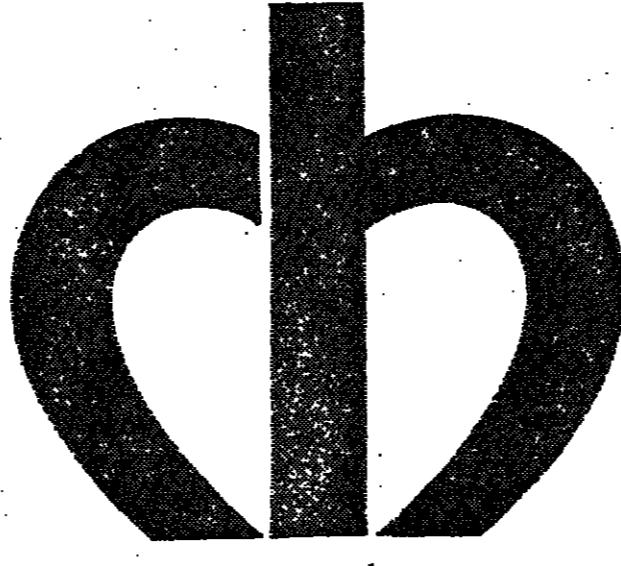
Ambic Equipment	Detection of clinical mastitis
Conder Buildings UK and Conder Group Services of Conder International	Construction of steel-frame buildings
Crosfield Electronics	Colour page production automation
Datron Electronics	Digital voltmeter
The Flexible Diamond Tool Company	Diamond-face products
Froude Engineering	Hydraulic dynamometers
Hall Automation	Industrial robot control systems
Imperial Paint Marine	Under-water marine coatings
Imperial Division of The International Paint Company	Underwater metal coatings
Ireland Alloys	Alloy recycling
The CAV Fuel Injection Equipment	UK Division of Lucas CAV
Marconi Communication Systems	Radio communications equipment
Micro Focus	Development of programming language
Morris Finik	Techniques for resin self-colouration
Optical Activity	Automatic polarimeter
Thorn Consumer Electronics	Domestic television receivers
Tube Investments Research Laboratories, The Research Laboratories of The British Aluminium Company, and Superform Metals of Tube Investments	Aluminium alloys
Vero Advanced Products	Machines for printed circuit boards



Some products of export award winners. The new steel and nylon belted Pirelli Cinturato P3 radial, which will become the group's "flagship" tire. (Top Left). Copper stills at the Glenlivet Distillery (Top Right). Shorts' "Blewpipe"—a surface-to-air missile for unit self-defence against close range, low level attack. (Lower right). Shorts Skyan aircraft (Bottom).



THE QUEEN'S AWARD FOR EXPORT ACHIEVEMENT 1981



## Our crowning achievement

Crown House Engineering International Limited, electrical and mechanical services installation engineers, currently undertaking work in the Gulf States, Egypt, Sudan, the Caribbean, Sri Lanka, South Africa and Australia, is proud to be honoured by the Queen's Award for Export Achievement.

In four continents, people rely on Crown House when they turn on a light, switch on the heating, run a water tap or breathe cooled air.

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**Crown House Engineering International Limited**

A Crown House Company

# Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

## Auto-process for blending industry

AN AUTOMATIC processing system developed by TBMA (0783 57188) for the Silver Paint and Lacquer Co, Batley, Yorks, is capable of being adapted for any industry engaged in the blending of paints and powders. TBMA claims. The system was designed and built in collaboration with Mastermix Engineering and is said to carry out the entire paint-making process from basic materials to the finished product.

The sequence of operations is supervised by one man from a control console incorporating a full mimic display and manual override facilities. All the main processing vessels are mounted on load cells. The initial dispersion of powders is done in 4,500-litre batches with a weighing accuracy of between 0.004 and 0.6 per cent.

The disperger units combine the mixing and dispersion functions in one vessel. This is amenable to automation and gives an efficient performance at lower power consumption, says TEMA. The system is claimed to be capable of producing more than 25m litres of paint a year.

The basic powders for paint production are contained in four silos designed to ensure a free flow. The two smaller silos (80 tonnes capacity) contain titanium oxide. Free flow of the powder is assisted by vibratory cones, air slides and bridge-breaking air pads. The two larger silos (100 tonnes capacity) contain whiting and china clay. Free movement again being maintained by flow pads and vibratory discharge cones. Compressed air for the fluidisation equipment is supplied by a vane blower and a turbo-fan.

## Fast pipe-bending

CLAIMED to be more than five times faster in operation than any manual pipe bender now available, an electrically-powered hydraulic bender introduced by Virax UK (0303 68111) is controlled by an on-off switch on the motor housing. The capacity of the bender, Type 2/08, is from 3-in to 2-in (or with adaptors up to 4-in) gas pipe depending on the accessories fitted. It is supplied in three forms: with a reinforced bender; with an open cheek;

mounted on a tripod; with a sliding cheek.

Virax claims that simple assembly without tools permits the unit to be quickly made ready for use for any size of pipe or cheek configuration. Safety is maintained by the components locking together automatically as the load is applied, while over-extension of the ram is obviated by a relief valve in the oil circuit. An automatic cut-out for continuous bending operations is soon to be made available.

Each silo discharges, through a maintenance slide valve, into separate screw conveyors, while the four screw conveyors all discharge into a single reversing-head screw conveyor situated over two dispersers.

This is claimed to ensure both a high volume throughput and the flexibility of operation required in paint manufacture.

Each disperser is mounted on three load cells and all connections for additive pipes and automatic dust extraction equipment are flexible.

Additives are fed automatically into the dispersers by a metering screw and pneumatic pulsing pump, designed to give a consistently accurate dosage of each constituent.

The paste formulated in the dispersers is taken by positive displacement pumps through filters and then into the two make-up tanks. Materials can be transferred from either disperser to either of the two make-up tanks by means of a pipe and valve system.

The make-up tanks are controlled by single load cells with two pivot points. Further additives, which can be transferred automatically, are contained in bulk storage tanks close to the make-up tanks. A bank of storage vessels, all mounted on load cells, are placed between make-up and final processing.

The transfer between make-up tanks and storage being effected by positive displacement pumps. This is especially true of the U.S. Space Shuttle—the manned reusable Space Transportation System.

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This is especially true of the U.S. Space Shuttle—the manned reusable Space Transportation System.

The Centre takes radio information or photographs from orbiting satellites, translates them into digital information, which, in turn, can be translated through a computer into maps, charts, magnetic tapes, etc.

### Pollution

But far more complex satellite "imaging" is now possible. Remote sensing satellites are used for a wide variety of tasks, and many more such satellites are planned in the 1980s.

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### Information

It is estimated that by 1985, there will be several billion items of information, or "bits," flowing back to Earth daily.

Much of this will be picked up and used directly by specialist organisations, such as the U.S. National Aeronautics and Space Administration, but there will be much information available for others to use.

The NRSC at Farnborough is intended to be a focal point for the collection and dissemination of this data, on a fee-paying basis, to any kind of customer who likes to buy it.

The Centre has cost nearly £1m to set up, and costs about £1m a year to run, with the latter cost rising as demands on the centre increase.

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JULY 1981

## FINANCIAL TIMES SURVEY

Tuesday April 21 1981

## New Jersey

Like many of the older States of the Union New Jersey is having to grapple with the problems of declining traditional industries, urban decay, rising crime and a shaky infrastructure. In this report IAN HARGREAVES of our New York office measures the success so far of its administration and businessmen in coping with this task.

Old giving way to new

NEW JERSEY earned itself the title of "Pathway of the Revolution" over 200 years ago when its marshy lands east of the Delaware River provided a haven and eventually a springboard for George Washington's army.

In the last decade the State has had to undertake a re-education of a different kind, reshaping its economy from one with extremely heavy dependence on manufacturing industry to the point where today only 26 per cent of its jobs come from that source.

These changes have given the State an unaccustomed resistance to recession and created an economic profile which makes the State average for the U.S. in many important respects.

But it is harder to shake New Jersey's image. Although known to its own citizens as the Garden State, most visitors judge New Jersey by the view from the

New Jersey turnpike, where the vista of chemical plants, rotting piers and obsolete multi-story factories makes it one of the most dismal drives in the country.

But those who live in the State's pleasant dormitories speak volubly of the pleasures of lakes, mountains and coastline it affords — besides the more obvious benefits of proximity to New York City and Philadelphia. Tourism is New Jersey's second most important industry in terms of jobs.

It is a State then of contrasts. Its citizens are on average among the wealthiest per capita in the U.S. But in cities like Newark and Elizabeth or even in Trenton, the State capital there is urban poverty as distressing as any in the U.S.

It has two of the country's most famous universities — Princeton and Rutgers — and an unequalled wealth of research activity, building on the local heritage of Thomas Edison, inventor of the lightbulb.

## Features

But these features of a liberal tradition grate oddly with the State's only very recent acceptance of the concept of State income tax and the presence, until not long ago, of enough political scandal, often associated with the Mafia, to keep a TV show writer in ideas for life.

So although New Jersey is the fourth-smallest State in the Union it is also highly regionalised. It even has a "Home Rule for South Jersey" movement, which the Trenton politicians may scorn but cannot entirely ignore.

These diversities and self-

contradictions are reflected in the State's politics. In seven of the last nine Presidential elections New Jersey has voted for a Republican; in seven out of nine gubernatorial contests for a Democrat.

The present Governor, Mr. Brendan Byrne, comes from the liberal wing of the Democratic Party, but even though his Party controls the Legislature he has been able to achieve only a limited degree of progressive taxation and even this is considered a breakthrough. Governor Byrne will leave office in January next and over 20 candidates are now locked in combat for primary nominations to succeed him.

The main election issues will probably be taxation — status quo versus a more standardised state-wide property tax, rather than the current parish pump hodgepodge — and environment.

Governor Byrne has fought hard to transform the State's image of dirt and pollution, most notably by creating a Pinelands Commission to impose tight control on development in one-fifth of the State. But his opponents say State control of planning is now too great and is weakening business development.

All the candidates will also have to say something about crime, which is growing in New Jersey as in the rest of the country. In some urban areas the situation appears close to being out of control. In Newark, for example, murders were up by 23 per cent last year, rape by 31 per cent and arson by 26.8 per cent; employers say secretaries will not work past 4.30 pm in the winter.

Governor Byrne's response to

this situation has been to press for prison accommodation to deal with the rise in crime and to offer State policemen to hard-pressed cities.

## Gimmick

Mr. Kenneth Gibson, the black mayor of Newark, rejected the offer of State troopers as a dangerous gimmick and says the key is to provide more penal facilities and to overhaul the court system. Local frustrations on the issue were evident in recent proposals in the Newark City Council to increase the local sales tax to pay for more policemen, a measure which would have been enormously damaging to local commerce.

The problems of the cities are contagious," warns Byrne, although he believes progress has been made in some Jersey cities such as New Brunswick.

One major centre which has certainly seen dramatic change under Governor Byrne is Atlantic City, where a decision to legalise gambling has turned the city into an East Coast Las Vegas. Although economic linkages to gambling have so far been disappointing, thousands of jobs have been created and the State has managed quite well the difficult task of regulation — although Mr. Byrne now feels that some of the regulation has gone too far. Less well known, but even more successful, has been the State's backtracking on the Meadowlands sports complex just across the river from midtown Manhattan.

Another major issue for the next governor will be water supply. A year-long drought, not much alleviated by recent

spring rains, has caused water rationing in large tracts of the State and the situation could be desperate by next winter. Mr. Byrne's \$350m plan for more and better pipelines and pumping facilities is long overdue.

The outlook for New Jersey, then, is as diverse as its character.

The urban centres are already feeling the effects of the Reagan squeeze; public transport is nearing a crisis of both cost and quality in some areas, declining city populations and in some cases property values are eroding the tax base.

But New Jersey, which has avoided the fiscal problems of many of its north-eastern neighbours, certainly has the resources of people, skills, and a favourable location with which to go on building itself up in the 1980s.

Governor Brendan Byrne (above), now nearing the end of his permitted eight years in office, has been a major force in the reshaping of New Jersey's economy and society

## Big field in governorship race

## Politics

THIS IS the year when the political weatherman head north from Washington to tap the barometer of New Jersey. The State provides one of only two races for the Governorship this year — the other is Virginia — and as such the results of the contest will be minutely dissected for pro- and anti-Reagan traces.

But at this early stage of the gubernatorial stakes the biggest problem for both the analysts and the candidates themselves is one of recognition. With more than 20 hopefuls already in the field, most jokes in Trenton are a variation of the one which replaces the "Gone fishing" sign with "Gone to become Governor."

It is the most congested field that anyone can remember, with

several members of the Governor's Cabinet in contention for the Democratic nomination.

So far as the candidates are concerned, there are two main political touchstones: President Reagan, who swept New Jersey last November along with the rest of the country, and Governor Byrne.

Byrne's liberalism has been most obvious in his environmental policies, which have declared large tracts of the State under restriction or totally banned to developers, and in his introduction of an income tax.

But the price Byrne paid for success on income tax (today set at a modest 2 to 2.5 per cent) was that he beat a series of tight fiscal constraints to which have given his administration an air of fiscal prudence but which have seriously limited room for manoeuvre on social pro-

CONTINUED ON NEXT PAGE

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## NEW JERSEY II

## Some alarm at Reagan cuts

## Economy

GOVERNOR Brendan Byrne, nearing the end of an eight-year period of office, will be remembered as a liberal Democrat who was strongly in favour of central State involvement in issues when deemed necessary: tough anti-pollution laws and a more progressive taxation system. Above all, he is the Governor who introduced State income tax.

But the Governor's fiscal regime — tightly hedged by legal constraints requiring, for example, a balanced State budget and a rigid 5 per cent a year ceiling on increases in local authority expenditures — has fixed his administration with an image of fiscal conservatism.

The advantages of this state of affairs have been considerable. There have been no fiscal crises in New Jersey, as there have in many older urban areas of the northern U.S., the State has retained a top quality bond

rating, which has enabled it to borrow at favourable rates, and there has been a sense of economic stability.

## Damaging

The disadvantages, which are now becoming sharply apparent in many communities, are that local authorities, which may have benefited from capped expenditures by becoming more creative in seeking solutions two years ago, are now being forced into what many city mayors feel are deeply damaging cuts. Many cities have had to lay off up to one-third of local employees, including policemen at a time of a rising national crime rate.

Men like Mayor Kenneth Gibson of Newark, a candidate for Governor, want to see a State-wide property tax, which would result in some fiscal redistribution from the suburbs to the inner cities, where the taxation base has been destroyed by falling property values and disinvestment. Currently, local property taxes range from a low of 0.49 per cent in Chester Borough, Morris, to 9.37 per cent in a township inside Union City.

"There is no doubt," says Mr. Joseph Frankel, mayor of Eatontownship, "that some

places are being forced to cut services which should not be cut." Governor Byrne says it is now time for the legislature to reassess the spending ceilings.

But Governor Byrne has always been out in front of the legislature on taxation systems. He feels that the State's reliance on property taxes for 47 per cent of revenue (New Jersey is second in the nation in the scale of this dependence) is too great, but there is as yet no agreement on a programme for change.

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helped to increase tax revenues.

Aside from fiscal questions, New Jersey has in the last five years positioned itself economically to follow with remarkably little deviation the average trends in the nation. Following the 1974-75 U.S. recession New Jersey languished with a high unemployment rate well into 1976, but during last year the State was by most indications either matching or slightly outperforming the U.S. average.

The main reasons for this new recession-resistance is the increased proportion of services in the economy and a low — for an industrial State — dependence upon the crisis-stricken motor industry. Many of New Jersey's industries, such as pharmaceuticals and printing, scarcely noticed last year's recession. The State's unemployment rate peaked last year at around 6.5 per cent, compared with a 12 per cent peak in the previous recession and was running at about 7.2 per cent recently. Employment peaked in February 1980 at over 3.4m, following a steady if modest trend of net job gains in the previous four years.

Equally pleasing for the State's planners, price inflation has lagged slightly behind the national average and personal income grew at a fractionally greater rate than the U.S. average. Although national income differentials continue to narrow, New Jersey remains about sixth in per capita income, a trend which is sustained by the continued creation of well-paid business headquarters and research jobs.

These fiscal uncertainties are compounded by the as yet also uncertain effects of the Reagan Administration's economies, which it is estimated will mean a \$1.2bn cut in funds for residents of the State — although only a modest \$120m in items already budgeted for the current fiscal year. This budget impact appears likely to be mitigated by the unexpected strength in both the national and State economy, which has

Dr. Adam Broner, director of the State's Office of Economic Policy, says the State has "a pretty good chance to follow the pace of the U.S. economy and if we can muster our forces and concentrate upon those high technology industries, we can do even better than that." Dr. Broner also points out that some progress has been made in strengthening some of the city economies (notably Atlantic City, through gambling, and New Brunswick), although the six largest cities in the state (Jersey City, Newark, Trenton, Elizabeth, Camden and Paterson) remain a big problem. Without them New Jersey's economy would be booming.

The underlying imperative for the State is to increase the pace of corporate capital formation and therefore of its reinvestment in plant in the belt of the State where there are still many obsolete facilities. The Reagan programme is designed to do this and it has the strong support of local business men.

## BASIC STATISTICS

Area:	7,504 sq. miles
Population:	7.36m
Income:	\$71.1bn
Per capita (1979):	\$9,702
Capital: Trenton (pop. 92,124)	
Governor:	Brendan Byrne (Democrat)
Legislature:	Both Houses Democrat-controlled



## Politics

CONTINUED FROM PREVIOUS PAGE

grammes, especially now that the Reagan spending cuts are starting to be felt.

The closest to a Byrne replica among the candidates is Mr. John Degnan, the Governor's former Attorney-General, who at 35 is bidding to become the State's "youngest" Governor. Mr. Degnan the Byrne liberal's bolstered by a strong emphasis on improving law and order in the State's cities (as Attorney-General he sent State troopers into Trenton).

But Degnan is not yet at the top of the long Democrat form card. The higher positions are held by Representative Robert Roe, a Congressman with strong trades union backing who ran second to Byrne in the primaries four years ago; and by Representative James Florio, a young Congressman aptly described as "a flaming moderate." Smooth and hardworking, he suffers perhaps from his base in sparsely populated southern New Jersey — although as the only serious candidate from the mid-much of a disadvantage.

## Main task

Among other Democrat hopefuls are Mayor Thomas Smith of Union City, an old-style Jersey politician backed by one of the few vote-producing party machines which still function in the State. An outsider, but a well-known one, is Mayor Kenneth Gibson of Newark, the only coloured man in the race.

For Democrats the main task is to rebuild from the shattered base of the Democrat image nationally, something which may not be too difficult in a state which in the same year that it endorsed Reagan also preferred Senator Edward Kennedy to then President Jimmy Carter in the Democratic primaries. Liberal issues count in Jersey, where pollution has been as bad as in any State and where there is a large and self-evident problem of urban deprivation.

For the Republicans the name of the game at this stage is to borrow the President's clothes. Byrne's environmental policies, his backing for continued strict regulation of some key business activities such as insurance, as well as a surprise increase in corporate income tax last year, have convinced many businessmen that Byrne's vaunted pro-business promises are hollow.

## Front runner

Thus the stream of Republican candidates is heavy with promises to set up more potent industry-luring agencies and to de-regulate the parts of the economy which are held to be restrictive to private enterprise.

The front runner is Mr. Thomas Kean, a former member of the State Assembly with liberal Republican voting record. His voice, however, has become distinctly Reaganesque since the campaign began, although he is certainly capable of moving convincingly back to the centre in a general election — if he gets that far. Mayor Pat Kramer of Paterson sounds a more sustained conservative note and everyone has been impressed by the early campaign efforts of the Party's leading outsider, Mr. Bo Sullivan, a free-spending local businessman with no previous political experience but with powerful family connections within the State's Establishment.

Kramer's campaign has taken a knock from the Legislature's decision to back "open" primaries, which reduces the influence of the political chairmen of the State's 21 counties, many of whom Mayor Kramer had successfully wooed.

## Steady shift in base helps employment

## Industry

gambling, following the State's decision four years ago to legalise that diversion in Atlantic City, which thus became the Las Vegas of the East Coast almost overnight.

New Jersey has also continued to prosper as a headquarters base for companies (Allied Chemical, Johnson and Johnson, Warner-Lambert, Campbell Soup, Ingersoll-Rand and Prudential are a few of the major companies based in the State), drawing on experience of the financial problems of New York City in the early 1970s when people and corporations fled from high taxes and a high crime rate.

There is more growth in prospect on both these fronts, although it cannot be long before other eastern States, perhaps even New York, decide to take a share in the casino action. That would open up the dangerous possibility of States bidding to get the casino operators in — something which would create pressures to dismantle the tight regulatory and policing stance New Jersey has been able to adopt with its newest industry. As for headquarters, New Jersey with its charming countryside and beaches remains a desirable location, although the exodus from New York has long since gone out of fashion.

In other words, New Jersey has become in industrial balance something of an average State. It certainly no longer has enough involvement in the highly cyclical motor and steel industries to follow the erratic fortunes of States like Michigan and Ohio.

But this pleasing statistical improvement in New Jersey does not conceal the fact that the State still has some tricky issues to deal with in charting its course for the remainder of this century.

In terms of service industries, which accounted for 600,000 of the State's 3m non-farm jobs last year, the biggest growth areas have been in casino

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U.S. FINANCE & INVESTMENT

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Tuesday, 16th June

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4. THE DOLLAR
5. FINANCIAL MARKETS
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## NEW JERSEY III

## Growth follows end of restraints

## Banking

IT MAY seem odd that the most densely populated State in the Union and a State at the heart of the nation's most crowded industrial belt—say nothing of natural seaboard advantage as an international trading area—should not have a single very large bank.

The explanation is simple. Until 1969 New Jersey banks were not allowed to open branches in more than one of the State's 21 counties and there were other limitations on the ability of a bank setting up operations in a community where another bank had its headquarters.

## Challenge

These restrictions, lifted in two stages during the 1970s, were not unusual in a country which has cherished preservation of the small local bank. But for New Jersey's banks the limitations were made especially galling by proximity to the giant international banks of New York City. Now, only a decade after cross-county branching became legal, the New Jersey banks are facing the challenge of the likely Federal legalisation of inter-State branching during the 1980s, a change which would involve them in a second round of turbulence.

The 1970s saw the number of banks in the State reduced from over 200 to 133, with 11 mergers transactions last year. That does not take count of the rapid shrinking in the number of savings and loan associations in the State as these institutions came under acute financial pressures caused by high interest

rates in the last two years. The four largest banking groups in the State are the First National State Bancorporation, with assets of \$3.9bn, based in Newark; Midlantic Bank, also in Newark, with assets of \$3.4bn; Fidelity Union Bancorporation, another Newark group, with \$3.25bn in assets; and the Princeton-based United Jersey Banks, with \$2.6bn in assets. The holding company structure of these banks, established in the early 1970s, is typical of the State's more rapidly growing institutions. Midlantic, for example, began the 1970s with only \$835m in assets.

This growth has been accompanied by a determined diversification of services, especially into the international arena, not only to strengthen links with the increasingly export-minded New Jersey business community but also to create a broad base of banking services which will, executives hope, enable these still rather small banks to meet the arrival of inter-State banking by joining up with other institutions of similar size or smaller, rather than being swallowed up or trampled underfoot by the giants from across the Hudson.

For the men who man New Jersey's larger banks, there is often a personal motive at work here too, as many of them grew up in large New York banks and have no desire to return to that field.

For many of the smaller banks in the State the current emphasis is simply to lobby through their banking association to prevent Congress pressing ahead with proposals on inter-State banking.

About a dozen New Jersey banks currently offer inter-

## Multinational

So far, there are no foreign banks in New Jersey, because the State does not permit them. But many are active, as are the New York banks themselves, in seeking business with New Jersey's many multinational companies.

This process was helped along

by soaring office rents in neighbouring Manhattan, which have driven most of the motor importers, for example, across the Hudson in the last decade. Today prime office rents in New York are approaching \$60 a square foot. In New Jersey you can take your pick from \$22 down.

Warehousing is probably still the single most important source of foreign investment in the State, but all kinds of European and Japanese companies are also involved in manufacturing, from the formulation of Worcester Sauce (by a subsidiary of Britain's Imperial Group) in Bergen County to the zipper factory owned by YKK of Japan in Lyndhurst.

The New Jersey Department of Labour and Industry had records of 527 foreign companies from 23 countries at the last count, of which 135 were from West Germany, 91 from the UK, 87 from Japan, 72 from France, and 31 from Switzerland, although the Swiss presence is proportionately greater than this figure suggests because of the size of the chemical and pharmaceutical investments by Swiss companies. Hoffman-La Roche is the only foreign company to make the top 15 list of New Jersey employers, with an in-state payroll of over 7,000.

## Concentrated

Not surprisingly, foreign investment has concentrated in suburban New Jersey, avoiding the problem-plagued urban centres. Japanese companies have flocked to the Port Lee district, one short bridge hop to New York, building a Japanese cultural base there. About 20 per cent of all children in the public school system in this riverside community are Japanese. In several cases, however, to the disappointment of local promoters, the bulk of the manufacturing jobs created by the newcomers have gone to lower-cost southern States, leaving only a headquarters type co-ordination and sales job in New Jersey.

The industry also complains that the State authorities have been slow to grant the increases in premiums needed to cover these swollen costs and with a set of reform laws again bogged down in the State Legislature, the industry is hoping that the successor to Governor Byrne will prove more effective on this issue when a new Administration takes office next January.

With the insurance industry nationwide stuck in a down-cycle in life insurance, suffering from competing high interest returns in other forms of investment, outlook for the New Jersey insurance industry is bleak.

## Coverage

The problem in the State's so-called "no-fault" law on motor insurance claims, which enables a New Jersey policyholder involved in even a minor accident to sue the other involved party for damages, in addition to claiming coverage of medical and repair costs.

Many States have a version of this law, but they normally restrict damage suits—which the insurance companies end up meeting to serious injuries and motor accidents involving at least several hundred dollars of repair work.

## Ageing system faces major crisis

## Transport

FOR THE promoter, New Jersey's transportation system is a dream. The State has more roads per square mile than any other, it is served by the country's largest seaport and possesses both its own international airport at Newark plus reasonable proximity to the two airports of the New York gateway. Its rail network is the densest in the nation.

But the State's transport infrastructure is also ageing—in some cases seriously so—creating a number of major unknowns. The Reagan Administration's proposal to break up Conrail, the Government-funded freight rail company, would cut rail services in the region gravely. A State budget measure is expected to require a 50 per cent increase in rail commuter fares. Moreover metropolitan New Jersey, along with New York, has one of the lowest levels of road repair in the country.

## Centre

At the centre of this maze of problems, with a key role in most of them, is the Port Authority of New York and New Jersey, which runs the seaport, the three airports, one rail commuter system in New Jersey and numerous bridges, tunnels and other transport links.

Mr. Peter Goldmark, the Authority's young executive director, says the Reagan cuts, which will probably increase in severity in 1982 and 1983, again

raise the possibility of a major crisis in the region's infrastructure. "We may be about to find out just how fragile the links in this region really are," he says.

The cutbacks came at a frustrating moment for the Authority, in that both New York City and New Jersey have achieved an unaccustomed economic and fiscal vigour in the last year and with this improvement the region's huge seaport at last has regained the prospect of "modest growth," says Mr. Goldmark.

The port had a good year last year, as a weak dollar and ordering manufacturers in the area, especially chemical companies, increased exports, raising the port's general cargo export tonnages by 7.2 per cent to 6.4m tonnes. Imports, however, slid in step with the recent surprise increase in corporate income tax (now at an effective 11 per cent) has given the State an unwelcome No. 2 ranking in this tax league.

A recent independent study made New Jersey number 42nd of 48 States in overall State-local taxes per capita at \$893.6 per head. New York was the worst, with \$1,308. These tax figures, however, in part reflect high personal income in the State. Energy costs are also at the high end of the scale.

The emphasis, then, is firmly upon improving existing transport infrastructure, rather than building new (although a new link from the New Jersey turnpike to Newark airport is an exception).

If the State and the Authority can solve their funding and investment problems the region will preserve what is in essence by far the most sophisticated transportation network in the U.S.

## Foreign Investment

## Natural site for entry

NEW JERSEY has always offered a natural site for European investment, especially since in the 1960s the Port of Newark took over from the old New York City piers as the major general cargo seaport of the region.

Typically the investment pattern has been to establish an export-import office, then a sales unit, followed by a warehouse, then perhaps a kit-assembly operation to be followed in a few fully consummated instances by a manufacturing presence.

This process was helped along by soaring office rents in neighbouring Manhattan, which have driven most of the motor importers, for example, across the Hudson in the last decade. Today prime office rents in New York are approaching \$60 a square foot. In New Jersey you can take your pick from \$22 down.

Warehousing is probably still the single most important source of foreign investment in the State, but all kinds of European and Japanese companies are also involved in manufacturing, from the formulation of Worcester Sauce (by a subsidiary of Britain's Imperial Group) in Bergen County to the zipper factory owned by YKK of Japan in Lyndhurst.

The New Jersey Department of Labour and Industry had records of 527 foreign companies from 23 countries at the last count, of which 135 were from West Germany, 91 from the UK, 87 from Japan, 72 from France, and 31 from Switzerland, although the Swiss presence is proportionately greater than this figure suggests because of the size of the chemical and pharmaceutical investments by Swiss companies. Hoffman-La Roche is the only foreign company to make the top 15 list of New Jersey employers, with an in-state payroll of over 7,000.

Not surprisingly, foreign investment has concentrated in suburban New Jersey, avoiding the problem-plagued urban centres. Japanese companies have flocked to the Port Lee district, one short bridge hop to New York, building a Japanese cultural base there. About 20 per cent of all children in the public school system in this riverside community are Japanese. In several cases, however, to the disappointment of local promoters, the bulk of the manufacturing jobs created by the newcomers have gone to lower-cost southern States, leaving only a headquarters type co-ordination and sales job in New Jersey.

The industry also complains that the State authorities have been slow to grant the increases in premiums needed to cover these swollen costs and with a set of reform laws again bogged down in the State Legislature, the industry is hoping that the successor to Governor Byrne will prove more effective on this issue when a new Administration takes office next January.

With the insurance industry nationwide stuck in a down-cycle in life insurance, suffering from competing high interest returns in other forms of investment, outlook for the New Jersey insurance industry is bleak.

## What concerns the Financial Times in this special issue concerns us every day of the week.

## New Jersey.

It's been our first concern for 169 years now. Since the U.S. banking system was in its infancy.

As the Garden State has grown, we've grown with it. Today, we're the largest banking organization in the history of New Jersey.

We're also one of the leading international banks in the country. With correspondent relationships with 300 banks in more than 90 countries.

As a matter of fact, we made some history of our own recently, with the appointment of First National State Bank of New Jersey as correspondent to the Bank of China, Peking, of the Peoples Republic of China—the only bank in New Jersey to be so honored.

Since you're looking through this special section, you may also be looking for a regional banking relationship in the Garden State.

In that case, look for the bank that knows the territory. The bank that can open doors for you. And flex financial muscle on your behalf.

The bank whose first concern is New Jersey.

For further information, call Matthew R. Ciancimino, Senior Vice President, International Banking, at (201) 565-3763. Overseas Telex numbers: ITT 475-4062, RCA 235989. Domestic and foreign Telex numbers, WU 138620.



First National State®

## Our first concern is New Jersey.

First National State Bank of New Jersey • First National State Bank-County • First National State Bank-Edison  
First National State Bank of Northwest Jersey • First National State Bank of South Jersey • First National State Bank of West Jersey  
Members First National State Bancorporation, 550 Broad Street, Newark, New Jersey 07101 / Members FDIC  
Equal Opportunity Lenders

The Port Authority of New York & New Jersey offers a choice of industrial park sites in America's most desirable marketplace.

## Come to my port and discover a whole new world of manufacturing opportunities

We'll build to your order... give you advantageous terms... and put you in the center of manufacturing activity.

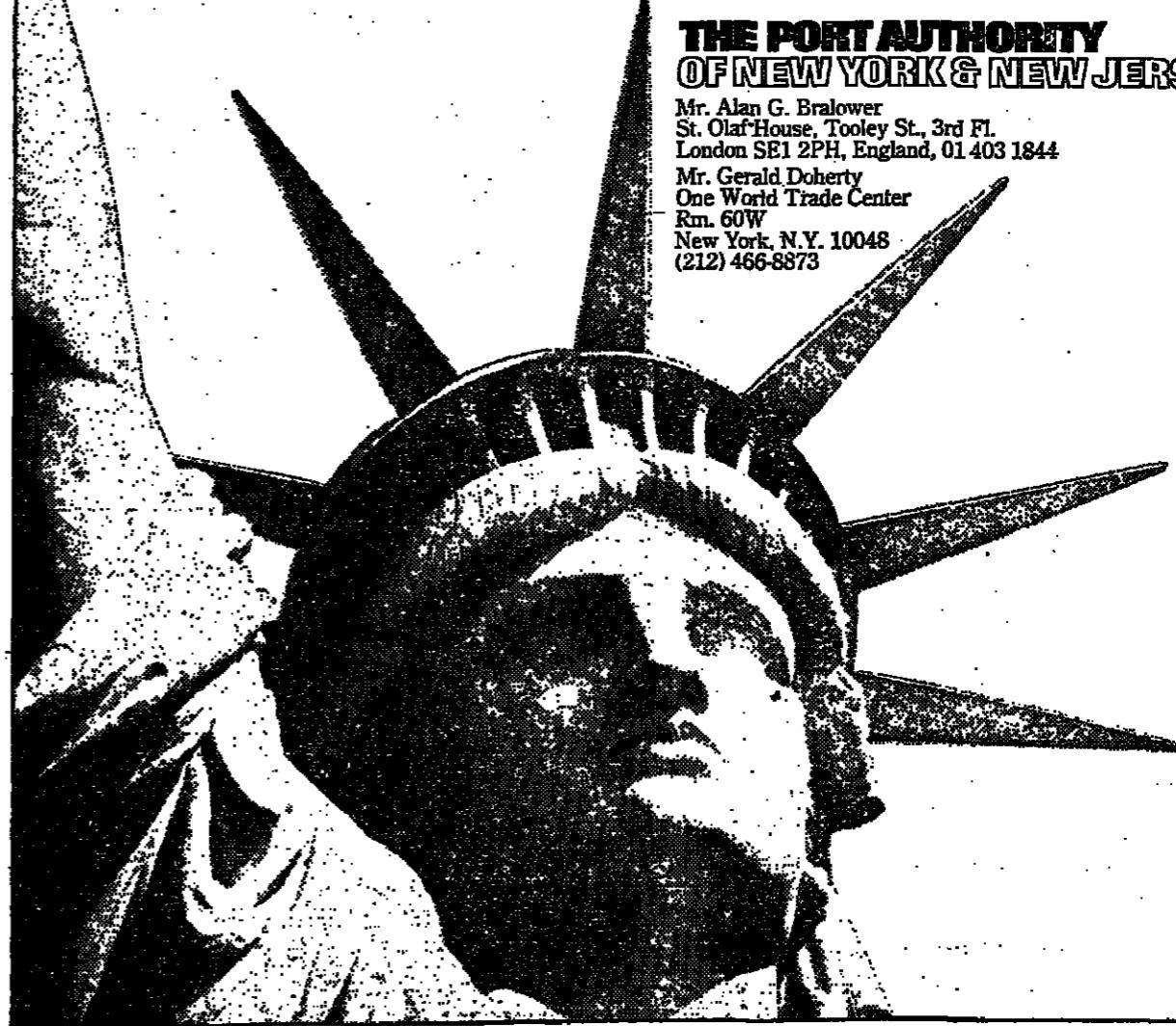
The New York/New Jersey region is the marketplace that really works for you:

- We'll put you in the manufacturing and industrial center of the United States... unmatched in capital invested and capital available.
- We'll give you superior shipping capabilities in America's Container Capital. Plus the most advanced complex of airports in the U.S.—with over 2,000 flights a day.
- We'll give you overnight truck access to 1/3 of all the buying power in America.

Shouldn't you have these advantages working for you? To learn more about this superior business environment and the attractive industrial parks being developed in the New York/New Jersey region, contact:

## THE PORT AUTHORITY OF NEW YORK &amp; NEW JERSEY

Mr. Alan G. Bralower  
St. Olaf House, Tooley St., 3rd Fl.  
London SE1 2PH, England, 01 403 1844  
Mr. Gerald Doherty  
One World Trade Center  
Rm. 60W  
New York, N.Y. 10048  
(212) 466-8873



## CONTRACTS AND TENDERS

### International bidding:

### Two sugar plants (Chile).

Industria Azucarera Nacional S.A. IANSA (National Sugar Industry) announces to investors that has put up for international bidding two sugar beet plants located in the southern part of the country.

The first one is in Curico - 200 kilometers south of Santiago, i.e., 7th region. The second one is in Nuble, 8th region, 400 kilometers south of Santiago.

Natural or legal persons either Chilean or foreign may participate according to the specifications.

#### BIDDING CONDITIONS AND COMPLETE INFORMATION

Bidder conditions and the annexed inventories with the description of the assets to be sold, technical records and a complete feasibility study of Curico and Nuble plants recently prepared by and expert advisory bureau, are at the disposal of interested parties.

Bidding conditions cost US\$ 250 - in national currency - for each plant, and may be withdrawn beginning at the following addresses:

United States: Corfo, One World Trade Center, Suite 5151, New York.

Germany: 2.000 Hamburgo 1, Chile Haus B, IV Etage Fischerwiete 1.

England: Charge D'Affaires, 12 Devonshire Street, London W1M 2-DS.

Italy: Via Nazionale 54-29, Roma.

Deadline offer presenting: May 12th, 1981.

Date for bidding adjudging: May 22th, 1981.

Date for plants delivery: During September 1981.

#### ASSETS TO BE SOLD

- Lands and factory facilities, warehouses and offices including the whole Curico and Nuble plants. The Curico Plant has the necessary equipment for refining raw sugar.
- All the machinery, tools, inputs, etc. existing in Curico Nuble plants according to the inventories annexed to the bidding conditions.
- Bidding also includes the transfer of the dwelling houses placed at the Nuble plant lands.

#### REMARKS

Any remarks interested parties may pose or for further information please contact the above mentioned offices, or at IANSA offices, 36 Bustamante Avenue, Santiago-Chile.



## iansa Chile

## COMPANY NOTICES

**Arab-Malaysian Development Bank Berhad**

**U.S.\$ 20,000,000**  
Floating Rate Notes due 1983

For the six months  
14th April, 1981 to 14th October, 1981  
the Notes will carry an interest rate of 16 1/4 % per annum.

Listed on the Luxembourg Stock Exchange

**KREDIETBANK**  
S.A. LUIMBOURGSE  
Ecclesiastic

**STATE LOAN OF THE  
KINGDOM OF HUNGARY**  
7 1/2% (Now 2.75%) Sterling  
Bonds 1924

**N. M. ROTHSCHILD & SONS LIMITED**  
announces that the coupon due 1st May 1981 from bonds which have been asserted in London to the 1982 Date of Payment will be paid in accordance with the special forms which can be obtained on application.

Claims will be received on any business day between 9.30 a.m. and 2.00 p.m. and must be left for the account of the holder for the period.

New Court,  
St. Swithin's Lane,  
London EC4P 4DU.  
21st April 1981.

**NOTICE OF REDEMPTION**  
EUROPEAN COAL AND STEEL  
COMMUNITY (E.C.S.C.)

U.S.\$ 15,000,000 5 1/2% 23 JUNE, 1986

Bonds of U.S.\$ 1,000,000 each  
U.S.\$ 1,000,000 has been purchased  
for redemption on 13th June, 1981.

The Commission of the European  
Communities announces that the  
amount of U.S.\$ 1,000,000 has been purchased  
for redemption on 13th June, 1981.

#### PERSONAL

#### REMEMBER A DEPARTED FRIEND

with a tribute that blooms in  
Jasmin's happiness. In old people  
there is a more little time  
to a loved name than to link your  
regard with enduring work for the  
lonely or frail.

Even if you give towards a Day  
of the elderly medical assistance among  
elderly people in great need  
achieves a great deal, thanks to  
your help. Please help the elderly. Please  
send your gift with the name you  
wish to commemorate to:

The Hon. Treasurer  
The Rt. Hon. Lord Maybray-King,  
Help the Aged, Room FT111,  
32 Dover Street, London W1A 2AP.

**CLOMAR ENTERPRISES LIMITED**

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## THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

## How a multinational masters the currency markets

David Marsh examines ICI's money-making foreign exchange operations

FOR Imperial Chemical Industries, Britain's biggest manufacturing company, the business of juggling money on the foreign exchanges lately appears to have been more profitable than making and selling chemicals.

Hard-hit by the recession and the strong pound, ICI ran a loss during the second half of 1980, and in February announced its first dividend reduction since 1938.

On the treasury side, though, business is booming. In an object lesson to other companies on how to make use of the freedom and flexibility brought by the ending of exchange controls in October 1979, ICI has been able to make considerable savings by putting its currency dealings on to a new footing during the last 18 months.

It has benefited in particular from a reduction in its borrowing costs — an especially valuable achievement since ICI is now a net borrower, in contrast to its healthy liquidity position of a few years ago.

The men in charge of the policy-side of ICI's money management are Alan Clements, ICI's finance director, and Archie Donaldson, one of the

two deputy treasurers.

Their job is one of financial fine-tuning: to keep a close watch on the worldwide currency exposure which results from the international trading and borrowing operations of ICI and its international subsidiaries, and to make sure it is adjusted continuously at the centre to achieve maximum benefit from fluctuations in swirling currency and credit markets.

Donaldson estimates that the company's foreign exchange trading activity has doubled or trebled since the ending of controls. But ICI stresses that no amount of dealing expertise can compensate for losses in its export-business caused by a level of sterling that has looked fundamentally over-valued.

Profitable use of the markets can create considerable savings at the margin, however. Apart from a reduction of administrative cost previously associated with exchange controls — filling and so on — there have been benefits in two principal areas.

In addition to its customary use of the spot markets, ICI has been able to lower the cost of financing

its outstanding loans by using the forward foreign exchange markets to shift borrowing smoothly and flexibly into currencies with the lowest interest rates.

And it has made savings on import and export transactions by covering on the forward markets in order to "lock up" future payments and purchases at relatively favourable, predetermined rates of exchange against sterling.

The ending of exchange controls allowed UK companies and individuals complete freedom to hold, borrow and lend foreign currencies both in Britain and abroad. Crucially, it gave British residents unlimited access to the forward foreign exchange markets — to many corporate treasurers, still a twilight

area.

Many companies' initial reaction to the move was to repay loans denominated in foreign currencies which had been taken out during the mid-1970s. These had been increasingly expensive to service because of the weakening of the pound, but repayment using sterling finance was forbidden by the Bank of England with the renewal of

controls.

A clutch of corporate treasurers is now cursing itself for having got its timing wrong. In complete contrast to all the forecasts, sterling of course strengthened sharply in the 12 months following the ending of controls. Companies would have made profits both from lower interest rates and from the capital depreciation of the loan by staying in formerly "hard" currencies like the D-Mark and Swiss franc.

ICI, on the other hand, seems to have been wise both before and after the event. It has kept its foreign currency borrowing programme going, mainly because of the height of sterling interest rates but also, as Donaldson says, "to underline our policy that it is right to borrow currencies."

The result has been much lower borrowing costs compared with the expense of sterling finance.



The company has traditionally been a big borrower of foreign currencies.

During the palmy days of the mid-1970s, when ICI enjoyed net liquidity of £500m to £600m, it was prohibited by exchange controls from using its spare sterling funds to invest abroad. This led to a big buildup of foreign borrowings in U.S. dollars, D-marks, Swiss francs and Australian dollars to finance overseas investments.

The currency breakdown of ICI's loan portfolio is markedly out of line with the asset side of the company's balance sheet. Whereas 60 per cent of its assets are in the UK, only about £200m to £300m out of its total

loans of £1.3bn is in sterling. But at a time of high sterling interest rates, this imbalance can only be good news.

Clements' prize borrowing achievement of the past few years was the Swiss franc 10-year loan at the "fantastically low" rate of 34 per cent raised on the Swiss capital market in January 1979, nine months before the ending of UK exchange controls.

This was raised partly to refinance a previous Swiss franc borrowing of SwFr 160m.

ICI tapped the market when Swiss franc interest rates had just about plumbed their depths — since when capital market rates in Zurich have risen to about 7 per cent. As an added bonus, the value of the liability in sterling terms has fallen sharply as the pound has risen strongly.

Of course, much could happen on the exchange markets to wipe out this gain in the eight years remaining before the loan has to be repaid.

The company's other medium term borrowings during the last few years comprise two multi-currency floating rate loans of \$300m and \$250m agreed with international banks in 1978 and 1979, together with a \$100m public bond issue in the U.S. in April 1980.

The two multi-currency loans are credits denominated in dollars which can be drawn down in the currency of the borrower's option at three or six monthly intervals. The interest rate is set at the same time according to the currency the borrower chooses.

Underlining the company's financial expertise, the loans were managed by ICI itself, rather than being syndicated by the banks. This saved the company the normal banking fees.

The \$100m public bond issue



Roger Taylor

was at 11 per cent — a moonshot opportunity," enthuses Clements. The U.S. capital market is currently groaning under the weight of government borrowing and rates would now be in the region of 14 per cent for a borrower of ICI's status.

Clements would like to borrow more medium term D-Marks — ICI's last fixed rate DM borrowing was in 1977. But with the West Germans now hit by a huge current account deficit and mounting capital outflows, the Frankfurt bond market has lately not been the easiest in which to raise funds, and is effectively closed to corporate names.

ICI would also welcome a reopening of the corporate

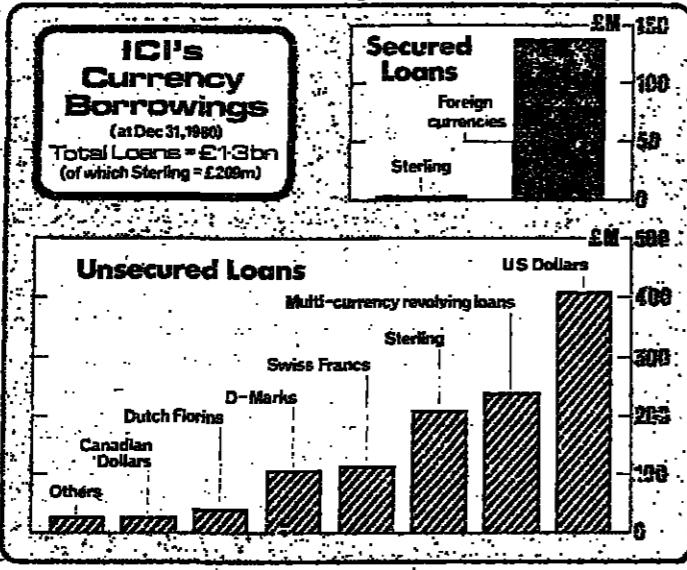
debenture market in the UK, and would be near the top of the list of companies wanting to borrow sterling.

Donaldson thinks that the opportunity is unlikely to come about. "It looks as though the Government will be raising a lot. Foreign governments will also be borrowing fixed rate money through sterling issues. There will not be much room for corporate names."

In contrast with the lack of activity in long-term markets, ICI's short term borrowing on the U.S. commercial paper market has, however, increased sharply. Through the medium of its finance company subsidiary, which handles centrally ICI Finance, the company now has around \$400m of commercial paper in the market. Borrowings are normally for around 90 days, at interest rates of up to 1 percentage point below equivalent rates on the Eurodollar market.

Despite its obvious expertise in currency management, ICI is not frightened to learn from the banks," says Archie Donaldson. This is one of the reasons why a foreign exchange specialist from the Bank of America will be joining the treasury team on a year's secondment from the summer. In return, the bank should gain a valuable insight into an industrial corporation's approach to a business of central concern to them both.

## Hedging their bets



date used on the forward exchange market is normally one month ahead.

To take advantage of daily rate movements, the company adjusts its overall position through a whole series of these forward foreign exchange contracts. Before exchange controls were ended, company treasurers could use the forward markets only to cover transactions where a company had a contractual obligation to make or receive payments. Now the market can be used without restriction.

ICI also makes use of the hedging facilities of the forward market.

Clements explains that the company builds up a composite picture of amounts to be received and paid in different currencies during future months.

If it predicts, for instance, that it has a balance of dollar income on a certain date, it can remove the uncertainty of future sterling/dollar rate movements by translating a certain portion of that income into pounds, using the appropriate forward market transaction. ICI also uses the markets in the opposite direction, for instance to buy dollars ahead to cover future oil purchases.

As Clements makes clear, he also has "the right to go into the market uncovered." If ICI has dollars accreting in six months' time, but feels that a fall in sterling against the dollar during that period will produce a more favourable rate than the one currently quoted on the forward market — more pounds for every dollar payment, in other words, then the company would deliberately refrain from making the forward transaction.



For instance, ICI currently believes the pound is more likely to fall against the dollar than against any other currency so Donaldson says, he would at present cover only about 30 per cent of the dollar income due beyond about three or six months.

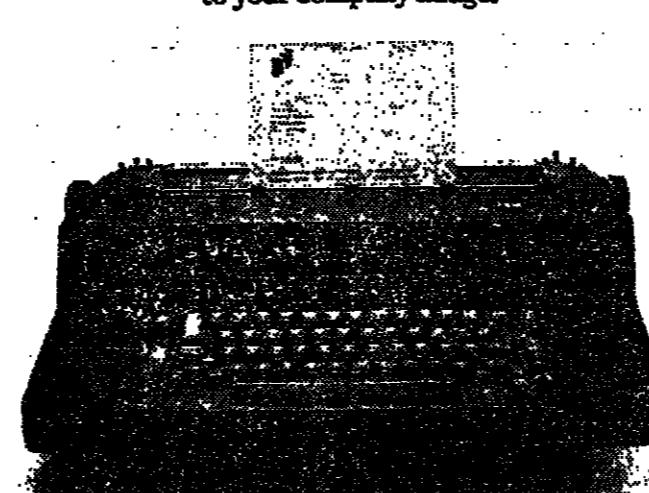
Forward hedging possibilities in London will be widened further when the financial futures market in currencies and interest rate contracts gets going, probably next year. ICI doubts if it will use the foreign exchange contracts — "our sums of money are too large" — but is "looking closely" at using interest rate futures.

ICI concedes that it is in some ways acting rather like a bank, but there are no Bank of England regulations covering the size and frequency of its open positions in foreign exchange trading.

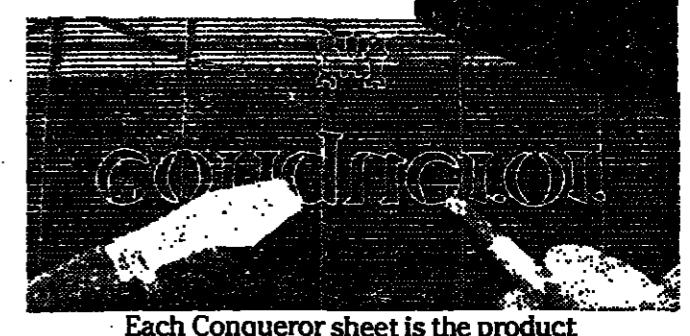
Clements stresses that natural open positions can arise out of the company's trading activities — for instance when it takes a decision not to cover payments and outgoings on the forward exchanges.

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## Meeting again —and again

BY SAMUEL BRITTON

LET US hope that European economic policy-makers have made the most of their Easter break. For soon they are not going to get much time to relax and think, or even to attend to domestic policy. For the later spring, summer and autumn will consist of one meeting after another. It would be surprising if at least one official did not dream that he was addressing a meeting of the Organisation of Economic Cooperation and Development in Paris only to wake up and find that he is addressing the IMF Interim Committee in the Gabon instead.

Indeed the meeting of that committee in the Gabon on May 21 and 22 will be one of the earliest of the series. It will be largely preoccupied with Fund borrowing on world capital markets. But the scope of IMF surveillance under the new Articles may also arise. How far can Fund officials write critical and probing reports on countries such as the U.S. and West Germany in the way they used to on Central America or Britain in 1976? No prizes for guessing the answer.

### Prelude

The Gabon meeting will itself be in preparation for the full annual meeting of the Fund in the autumn, before which there will have to be another meeting of the Interim Committee—not to speak of other jaunts, such as the Commonwealth Finance Ministers.

The organisation where a certain degree of mutual criticism is tolerated, even if it is not needed, is the OECD. Its inner and somewhat secretive Working Party Three will be meeting in Paris in the middle of May, as a prelude to a meeting of the Economic Policy Committee on June 1, which will itself be a prelude to the Ministerial Council on June 16 and 17.

The background to these gatherings is that not only the French and German governments, but senior officials of the OECD are jumping up and down with rage at U.S. high interest rates. U.S. interest rates are blamed for the Bundesbank switch to dear money to protect the D-mark and for the reduction in OECD growth prospects, which were painted too rosily last December. The man who caused the

most upset was the U.S. Treasury Under Secretary, Mr. Barry Sprinkel, who apparently said that inflation was only a matter of money supply control and that interest rates and exchange rates could go where they would.

Americans might want to ask what is so wrong with that, when they have been told so many times by Europeans to put their house in order and to give priority to reducing inflation.

The big meeting of the summer will be that of the heads of government in Ottawa of the Big Seven—the U.S., Japan, Germany, France, the UK, Italy, and Canada. The Finance Ministers of the Five—that is excluding the last two—met in London before Easter and had to insist on great secrecy so that was the only thing on which they agreed.

Between now and July the "sherpas" will be preparing the Ottawa agenda and communique. They are given that name because they work on the footills of the summit—and give the world leaders some words to say, whether anything has been agreed or not.

### Shivers

The meetings which take up more time than all the others put together are of course those of the European Economic Community. Apart from the routine meetings, which would take up the whole Financial Times to list, the Common Market heads of government will be gathering in the Netherlands in June. There is also to be a meeting now known as the "jumbo," where Finance, Labour and Social Security Ministers will all pontificate on unemployment. The British are determined that the "jumbo," which is a Dutch idea, should be held before the end of June, after which the British take the chair for the rest of the year.

The greatest problem is the risk that some British chairmen will really be impartial and have not yet learned the art of taking a broad Community view while ensuring that their own country gets the better of the deal. But Mrs. Thatcher is unlikely to be amused by such foolishness and will expect her Ministers to learn very quickly that, behind the etiquette, no holds are barred in the Community game.

ARE GOOD claret now too expensive? Many people here in Britain think so, and on a recent visit to California, where dedicated wine drinkers are probably thicker on the ground than anywhere else, I found that a lot of people there think so too.

Instead they are buying the expensive local Cabernet-Sauvignons, about which I will be writing shortly.

Demand here is probably more stable than it might appear, and merchants have had no difficulty in selling the '75, '76 and '78 vintages; and a certain amount of classified growth '79 have been disposed of. Nevertheless the annual report of the Conseil Interprofessionnel du Vin de Bordeaux, the well-known Cotes du Rhone, and partner of Ch. Palmer in the same commune.

Always a stimulating survey, it is written by one who is, as it were, on both sides of the vineyard wall for he is also a merchant. He provides some interesting figures. "In the past four years the costs of cultivating a hectare of vines producing basic AC Bordeaux has increased from about FF 14,000 to FF 20,000. This includes cultivation, harvesting, vinification and amortisation."

The average yield of the 1980 crop was 38 hectolitres (hl) per hectare (ha) and the required selling price to cover costs of such generic wines as Bordeaux Rouge would be FF 526 per hl, whereas the current ex-vineyard

# Good claret is still excellent value

price is FF 422. A yield of 50 hl per ha every year would bring in a marginal profit, but one "so meagre that it seems inconceivable that at the end of the vine's life they, or a banker, could invest the astonishing FF 80,000 which it is now calculated to cost to plant a hectare of vines and bring it in its fourth year, to production of AC wines."

This does not, of course,

know all the wines which bore

that name must be of high quality.

This seems likely to apply more to the U.S. and possibly to Canada than to Britain, where there has always been a sound demand for at least the better-known crus bourgeois.

My own view, for what it is worth, is that the well-made *petits chateaux*, whose names we probably do not know, are still excellent value for money, and they have the advantage for many of us of maturing rapidly.

Above them, the crus bourgeois, which in general in recent years have been receiving a fairer return on their outlay, are good buys too and reward keeping. About the classified growths, which include red Graves, St. Emilion and Pomerol (classified in fact if not in name), it is more difficult to generalise.

Some I would not touch with the end of a corkscrew, but others that seem expensive now could turn out among the more delicious of red wines, and their high prices are not without basis.

The first growths operate on a different plane as all who visit them can see. Whether they are worth the money is as difficult to determine as the prices of works of art. Unfortunately, unlike these, they have a finite life. Incidentally, the top California wines are little if any less expensive.

### WINE

BY EDMUND PENNING-ROSELL

adequately deal with the superior appellations, but their costs will have risen too, and they are relatively much higher. For example, while the basic Bordeaux proprietor or the local co-operative hopes to sell their wine within a year of the vintage, the chateau proprietor who bottles all his wine has to top up and rack it until bottling, as well as investing a considerable amount of money in bottles and corks.

Labour costs will be much higher, too, partly owing to more intensive cultivation on poorer soil, while he will probably have to incur promotional expenses not required for the peasant grower.

Sichel writes that "the cost of maturing wine has at least temporarily become so great that it could put into question

the economic future of wines whose value is based on this characteristic."

At the same time he admits that throughout the 1960s and early 1970s the new demand—largely from the U.S.—increased the temptation to abuse the confidence of those who seemed more concerned with the name on the bottle than with the quality of the wine within. Indeed it was very much

so.

Our reaction to fine Bordeaux

prices is often somewhat based on those of the first growths and of the most sought-after seconds.

A fairly large proportion of

these are being bought when first offered as investments or for speculation, always a feature of the Bordeaux market and extended in the past decade or so to private investors. This can be demonstrated by the very large quantities of firsts and other popular growths of such esteemed vintages as '59, '61, '66 and even '70 sold in the London auction-rooms from private sources.

In a free market, it is difficult to blame the growers for securing the best prices that the market will pay, and basically it is they and not the merchants who determine the price.

Unfortunately, however, this investment/speculative buying pulls up the price of lesser or less popular estate wines, whose owners customarily believe them every bit as good as those higher in the appellation hierarchy or more in demand, particularly foreign demand. For as Sichel writes: "The French themselves write: 'The French themselves are good buys too and reward keeping. About the classified growths, which include red Graves, St. Emilion and Pomerol (classified in fact if not in name), it is more difficult to generalise.'

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## Robellino proves to be a bargain

ROBELLINO, whose Epsom odds with Mecca condoned by four points on Saturday to 18-1, will have his first taste of the switchback and heavily cambered downlands course today when he tackles

### RACING

BY DOMINIC WIGAN

five opponents in the Ladbroke Riband trial stakes.

I expect him to beat Blackfoot, Centurios, McCarthy, Rasa Penang and Dhanteras with something to spare.

Robellino has proved himself the "bargain buy" of the 11 yearlings submitted by Comte Roland de Chambure to the 1978 Houghton Sales. Their average price was more than 150,000 guineas, but Robellino was only 36,000 guineas.

Since then he has shown himself to be by far the best of

that consignment and has more than recouped that initial outlay. He was purchased on behalf of Mrs. John McDougall.

His first season record was marred by a dismal performance in the William Hill Futurity at Doncaster on his final appearance, but I hope, and believe, that he simply went over the top. His performance on Town Moor, at a time when he was going in his coat, was accelerated to win, pulling away by half a length from his

earlier performances.

Robellino will be as forward as any in the field and for this reason I feel reasonably confident that he will have the measure of the opposition.

Grundy's full brother Centurios should make a high-class three-year-old but he is unlikely to be at his best yet.

EPSON 2.30—Maryland Cookie 3.05—Robellino\*\*\* 3.35—Cocaine\* 4.10—Golden Brigadier\*

ROYAL LODGE on the same course.

The mile of the Royal Lodge Stakes, coupled with a strong pace from the outset, saw Ribellino at his most formidable.

He was only in fifth place when he turned into the short home straight but made rapid headway on the rails.

Finding a narrow gap inside the final furlong marked him accelerated to win, pulling away by half a length from his

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## Covent Garden

## Lohengrin

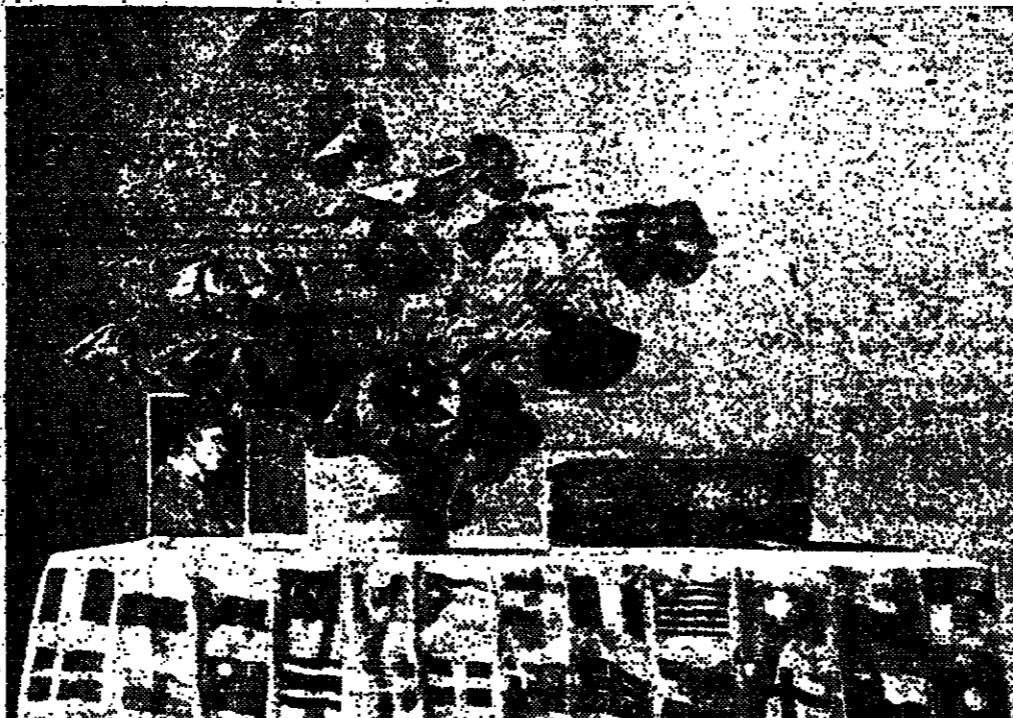
by RONALD CRICHTON

The revival of *Lohengrin* on Thursday brought a number of singers new to Elijah Moshinsky's production, some of them also new to Covent Garden. Among the latter was the East German tenor Peter Jürgen Schmidt, making his British debut in the title-role. At his best, a quiet conversational exchange, as in the third act duet with Elsa, Mr Schmidt sang musically and intelligently. He looked a more likely knight of the Grail than many heroic tenors. But the voice is not yet a wholly reliable or pleasing instrument. The occasion appeared to overawe the singer, at the point of hurrying, hardening or going off pitch in the big moments.

Heather Harper was singing Eva for the first time in this house. She has excelled there in roles combining sensitivity and patience—Eleni Orford in *Peter Grimes*, or Nadia in *The Ice Break*. But this artist, so superbly confident on the concert platform, is not a "natural" in the opera house. Elsa is a complicated case. The almost total absence in this production of practicable props enforces a kind of plasticity not altogether in Miss Harper's line, and the cream-bun hairstyle does not help. Also new to Covent Garden was the Frankfurt bass Manfred Schenck. His forward-keen tone made King Heinrich completely unctuous. During the first act which, owing to late arrival, I watched on closed-circuit TV, his was the only personality to cut through the

greyness of sight and sound. The Ortrud and Telramund, Eva Randova and Donald McIntyre, remain the same, likewise Jonathan Summers as the Herald. Miss Randova, with her tightly-knit tones, sure but not aggressive attack, and fine features at once serene and deeply troubled, is a valuable artist (sounding like a potential Geschwitz in *Lulu*), but for long periods on Thursday her words were unintelligible. Edward Downes conducted. He knows how to propel firmly but unobtrusively a score that can easily bog down, but he did not on this occasion unfailingly capture the blue-and-silver magic of a work that affected its early admirers almost as "potent *Pelléas*" was to do 50 years on.

The production still, for the most part, looks well in John Napier's white box, imaginatively lit by David Hersey. The style seemed novel at the time but was really, one suspects, a late flicker from the worlds of Brecht and Wieland Wagner. In the very next year—1978—the "economical" style was overtaken by Everding and Fuchs' near-naturalistic *Lohengrin* in Munich. At Covent Garden the second act brings the best and the worst. The twilight scene is genuinely poetic—then follow absurd evolutions for the bridal procession that has nowhere to process to. And in this act there is too much reliance on portable works of art—at moments one seems to be watching the assembling of a Council of Europe exhibition.



"Remembrance for Edward Thomas" by Graham Arnold, at the Arnolfini, Bristol

## Arnolfini, Bristol/Octagon, Bath

## Ruralists by WILLIAM PACKER

Artists have often come together in the past, and their various self-conscious groupings have reflected a whole spectrum of motivation, from real community of interest to the chances of friendship and general sympathy. They come and go naturally, no doubt they always will; and given the nature of creative necessity and personal identity, it has usually proved mistaken to place too much weight on any founding manifesto or rationale. The brotherhood serves its turn for a spell, but we must look to the work, which must shift for itself.

The Brotherhood of Ruralists declared itself some six years ago, born of an earlier, somewhat looser federation, the Broadhead Brotherhood, which still appears to exert a moderating influence upon it; and from the start, for all the pastoral charm of the work it produced, it enjoyed and even seemed to encourage a certain lively controversy. For in setting themselves in direct line with the Pre-Raphaelite Brotherhood and before it the Brotherhood of Ancients of Calvert and Palmer, an exercise as it were in positive nostalgia, the Ruralists were seen to be launching a direct attack upon current developments and pre-occupations in the visual arts, and what were thought to be the attitudes of the British Art World.

Such energy was misdirected then, and is now quite beside the point; for no one can reasonably claim, with the advantages of our present perspective, that figurative painting was ever moribund, or even remotely threatened, whatever the feelings of the time. The battle was fought with only one side engaged, which had the unfortunate effect of attracting undue, even unfair, attention to the claims and posturings of the little troop, at the expense of their work. This is, therefore, a good moment to look again at the Ruralists as they continue as a group, to see what they are and what they have done.

The first thing to observe is what a remarkably mixed bunch they are and how uneven the quality of their work, from the outstanding to the indifferent poor. They are Ruralists not in that they work directly from the landscape, though one or two of them sometimes do, but rather that they embrace the idea of the country and of the country life, and share the same dream of Arcady, the forest of Arden, the golden world.

The sense of the antiquity of the landscape, particularly of Wessex, where most of them have lived, broods over everything, and they ponder its legends and myths and fairy tales. Their more recent heroes are such figures as Hardy.

But the rewards of Celibidache's approach were considerable. For the first time in

Spencer and Lewis Carroll, Richard Jeffries and Edward Thomas.

Peter Blake is the commanding member of the group and a major artist. Obsessed by the *Dream*, he has been painting pictures of Titania and her attendants for some years now: profound, worried, psychological fantasies all of them, and remarkable and memorable things they are.

But he has his own court here, David Inshaw, Graham Ovenden and Graham Arnold, his chief officers, all well enough established by now in their own right; and there are the others, the peripheral and more modest figures, who in fact provide some of the treats of the show, albeit quietly and straightforwardly.

Two in particular stand out: John Morley, a long-time associate rather than an actual brother, with his still-life model worlds; and Ann Arnold, whose run of small paintings opens the exhibition. Of them, she matches most closely the intensity of feeling of certain of the pre-Raphaelites, and her *Reverend Hawker's Cottage* recalls no one so much as Arthur Hughes.

The Ruralists remain at the Arnolfini until May 16, after which they travel on to Birmingham, Glasgow, and at last to Camden Arts Centre, on whose

initiative the show was more fully on one of these future occasions.

Bath is only a few miles and minutes away, and is manifestly its own attraction, but nothing is so great that one cannot add to it. The Royal Photographic Society has made the Octagon in Milson Street, a converted chapel, its national headquarters, which premises were officially opened by Princess Margaret last week.

Two exhibitions mark the moment, the one a didactic exercise treating on Sir John Herschel and the Invention of Photography; the other an admirable retrospective of the work of Bill Brandt.

Brandt's nudes were shown in London and elsewhere lately, and so strong are they as images that it would be all too easy to let them overshadow the rest of a most varied achievement. Here they fall back into place, their technical boldness and forward surrealism bringing out the innate surrealism and imaginative power of his more documentary activity. His work just before and during the War for such magazines as *Picture Post* and *Lilliput* is well worth renewed attention.

The Brandt remains until July 4, the Herschel until June 27.

## Festival Hall

## Ein Deutsches Requiem

by RICHARD JOSEPH

Slow, muted, poignant; Sergiu Celibidache's performance of Brahms' *Deutsches Requiem* in the concert hall, every voice written in the score sounded. The various orchestral choirs were related to one another with impeccable balance and a keen appreciation of the relative harmonic importance of their parts. This hyper-clarity meant that a few patches of suspect tuning were easily audible, but in general the LSO responded excellently.

The LSO's rehearsal space, would have been ideal. The LSO Chorus, though well prepared and obviously willing to carry out the conductor's desires, had a number of problems sustaining the quietest passages—breath faltered, pitch momentarily slipped—and in clearing their throats for the loud climaxes.

Similarly, Isobel Buchanan and Alan Titus were not without moments of nervousness in their careful, cultured delivery of the soprano and baritone solos.

The rewards of Celibidache's approach were considerable. For the first time in

my experience of Brahms' *Deutsches Requiem* in the concert hall, every voice written in the score sounded. The various orchestral choirs were related to one another with impeccable balance and a keen appreciation of the relative harmonic importance of their parts. This hyper-clarity meant that a few patches of suspect tuning were easily audible, but in general the LSO responded excellently. For this reason alone they deserve our respect and attention.

One of the chief merits of Celibidache's reading was that the calm purposeful last movement emerged as the proper finale of the work. Too often it sounds like an anti-climax after the vigorous fugue that precedes it. Also noteworthy was the conductor's awareness of the stresses and accents in the text, though this was sometimes exaggerated; to the contradiction of the composer's dynamic markings.

This discriminatory approach was also applied to the internal balance of the fugues. Often, as in the last fugue, it was

brilliantly successful, but I did not agree with the overemphasis of choral entries in the "Der Gerechte Seelen" fugue in the third movement; this music is more than just a parade of the main subject through a couple of keys with vague counterpoint accompaniment. Still, Celibidache's musical opinions are presented with a care and thoroughness that eludes most interpreters. For this reason alone they deserve our respect and attention.

Michael Jayston is to star in the £750,000 revival of Rodgers and Hammerstein's musical *The Sound of Music*, playing the role of Baron von Trapp.

He will be joining Petula Clark, Ronz Blackman and June Brothill in the cast of the show, which is planned to have an initial six-months run at the Apollo, Victoria, beginning in August.

Jayston as von Trapp

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## TENNIS BY JOHN BARRETT

## Return of the British Hard Court

THE RETURN of the British Hard Court Championships to their traditional spring setting from last year's experimental September date has produced a respectable entry. It should make a worthwhile champion-ship.

Play starts today at the West Hants Club, Bournemouth, under the sponsorship of Three Five cigarettes which put up £75,000 prize money.

A more sensible ticket pricing policy this year, together with a Sunday match and the presence for BBC television for the last three days should ensure local and national support for Britain's second oldest championship (after Wimbledon). It began life in 1928 and has been held every year since except for the war years and 1977 and 1978.

Balazs Taroczy of Hungary and Tomas Smid of the victorious Czech Davis Cup team head a field that contains three former champions—Mark Cox who won in 1970, Manuel Orantes of Spain, the 1975 champion, and last year's winner, Angel Gimenez.

Such is the improvement in standard that the diminutive Spaniard, Gimenes, who plays

in a white cap, finds himself ousted this year and meets Taroczy in the opening round.

Cox, now 36, comes fresh from a victory on Saturday in the British Home Stores tournament at the Cumberland Club, Hampshire. He recovered from 1-3 in the first set and again from 4-4 15-40 to beat Chris Bradnam.

Cox's opponent is Ray Moore of South Africa, who is only two years younger. Moore arrives this year as the mentor of a group of promising young South African players. Curiously, the winner here will meet Taroczy or Gimenez.

Gimenes, at 32, looked as fit as ever when I saw him in Monte Carlo last week. But an operation on his left wrist has left him short of match practice, a factor which contributed to his early exit at the hands of Italy's Gianluca Occhipi.

His confidence will be tested in the opening round this week by one of Europe's brightest youngsters—Per Hiertquist of Sweden who has the physique and colouring of a young Lew Hoad.

Seeded three is the 25-year-old giant from Paraguay Victor Pecci, whose elimination of

Bjorn Borg 6-0, 4-6, 7-5 in the opening round at Monte Carlo was one of the most surprising matches I have seen for years.

Irrespective of Borg's reported shoulder injury (and certainly he was not hitting his first serve very hard) this match turned on Borg's inability to nail his passing shots as he normally does against a net rusher like Pecci.

Borg, had he been normally accurate, would have won that third set comfortably. That leads me to wonder whether a subtle change has come over the world champion following his marriage last year to Mariana Simionescu. Nowadays he is practising less than usual and taking more of the daily decisions that formerly were left to play singles.

If you look at the form of other leading players during their first year of marriage you do see something an inexplicable loss—viz. Jimmy Connors in 1979, Chris Evert Lloyd, the same year (she even gave up the game for three months to sort herself out), husband John in 1979, Victor Pecci in 1980.

Pecci's first opponent is Gustavo Guerrero, team mate of Vilas of Argentina in the Davis Cup. This will be no easy task for Pecci despite his excellent form. Last week he eliminated Heinz Günthardt of Switzerland 6-2, 6-0 before running out of steam against Jose Higueras, the number one Spaniard, when in a winning position.

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## FINANCIAL TIMES

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Tuesday April 21 1981

## A problem that won't go away

THE PLEASANT and uneventful Easter break which we have enjoyed could prove more than a passing relief this year, for it also marks a break in our domestic affairs which offers the Government, and especially the Treasury team, the chance to recover its sense of direction. The signs of economic recovery, which provoked such a celebration in the stock market last week, offer no more than a glimpse of blue sky. It is much too early to say whether they offer the promise of a fair wind, or a spell in the doldrums; but it does seem fair to hope that the worst battering of the recession is past. Ministers can now think beyond the next emergency.

## Picture

The normal human temptation in such circumstances is to devote much time and energy to searching for every favourable indicator, and trying to build up a picture of the more cheerful prospect before us. On this occasion, however, the Civil Service has unwittingly saved ministers from the normal temptations. The disruption of normal financial flows, and the lack of some important statistics, mean that there is no reliable material from which to make tactical analyses. Ministers can think strategically, or not.

So far the Government has had only one effective economic objective—to stop inflation. It has learned one painful lesson: that deflation cannot simply be left to the monetary authorities, while the Government gets on with the popular game of tax-cutting. The fiscal squeeze imposed in March was in fact two years overdue, which is why it has appeared so ill-timed. The signs are that in spite of this, a better balance will help rather than impede recovery.

In this sense the Government has every reason to brush aside the protests of the large body of academic opinion ranged against its present stance. However, if the academics are suggesting a wrong answer—that it is somehow possible to combine deflation with fiscal stimulus—they are still asking a question which, for the Government has yet to face: how it is to address the problem of unemployment.

Ministers seem to have hoped until now that the unemployment problem would simply go away in an otherwise well-conducted economy; but this is only likely to prove true in the long run. The fact is that any policy which effectively challenged our national bad habits of slack management and over-manning was bound to provoke a major

## Attention

Industrial policy and the management of the public sector are already at the top of the agenda. The recession has diverted massive resources into rear-guard actions in defence of struggling or dying industries: the challenge here is to prevent these sad necessities becoming a destructive habit. However, not all publicly-owned industries pose this problem: some are in natural growth areas, and the financing rules which inhibit investment need attention.

Meanwhile, investment in the private sector may itself be inhibited as long as monetary policy remains a forest of unsolved technical questions, and the management of interest rates is reduced to cautious guesswork.

Even ideal tax, financial and monetary policies would produce only a slow improvement in the labour market: the Government is certain to face re-election with a sad record here. It is not too late, however, to adopt policies which should ensure that though the level of unemployment may be high, the trend is favourable.



The McDonnell Douglas F-15 "Eagle"

In 1970, at the height of the Vietnam war, when Richard Nixon became President of the United States, the U.S. spent \$77bn on defence.

In 1985, President Reagan says he wants to spend over \$376bn. Most of the huge gap between these two figures represents inflation, but even in constant dollar terms, next year will be the first since Vietnam when defence spending will exceed the 1970 figure.

For the 25,000 contractors who sell their goods to the Pentagon, the Reagan re-armament comes like a divine visitation. Wall Street, which talked up the defence stocks avidly enough before Mr. Reagan's election victory on the strength of heightened international tensions, has pushed many defence stocks to record heights this year, leading some industry watchers to conclude that the stocks are overvalued.

"I have a very strong feeling that in nearly every case from the short-term investment strategy point of view, they are overbought," says Mr. Hugh Johnson, of First Albany Corporation.

If the defence boom is making Wall Street look hard for undervalued winners, it is also raising other more important questions about the condition of the industrial base which will service the Pentagon's shopping list and about the complex relationships between industrial productivity, technological advance and competitive ness which are as troubling in the defence industry as they are in the steel and motor industries.

It would be unwise to push too far the analogy between the American sense of inferiority to the Soviet Union in military matters and the widespread fear about falling third best to Japan and West Germany in basic industries. But in one sense the Reagan defence programme, or at least the way in which it is now being executed, is a response to a lack of industrial, rather than military, confidence.

The Reagan-Weinberger position is that the U.S. cannot afford to put all its eggs in the technology basket, because that technology may become vulnerable and because of the renewed emphasis upon the U.S. ability to fight non-nuclear wars which do not involve direct confrontation with the Russians.

A subsidiary fear, although a much discussed one, is that the ever-increasing complexity of American weapons makes them unreliable, in part because of lack of sophistication among

call them, "brilliant weapons." Essentially these are weapons, mainly missiles, whose computer-controlled brains enable them to seek out enemy targets, evade radar, electronically jam opposition signals, and successfully strike. The classic example is the air-launched Cruise missile, now being built by Boeing, which looks like a slim version of a flying grey whale. Only 20 ft long, it can fly within 100 ft of the ground to evade radar, then "see" its target before knocking it out. The other military jargon for such weapons is "fire and forget."

Critics of the Carter Pentagon charge that the former President was all too willing to fire and forget his entire defence procurement policy. He cancelled the manned bomber programme (the Rockwell B-1) because it was deemed obsolete in this world of high technology warfare and made no plans for a new generation of fighters beyond those already on the production lines at McDonnell Douglas, General Dynamics, and elsewhere.

Mr. Carter even refused to back the development of some advanced weapons, such as the Jump jet, which Congress forced back into the Budget, and was said to have been only a very reluctant convert to the mobile MX missile programme, the remarkable project which will involve real and dummy missiles shuttling between 4,600 shelters on 10,000 miles of dirt road in Nevada and Utah. Mr. Carter, a former nuclear engineer in the Navy, felt the U.S. could maintain its strike capability against the Soviet Union by its unrivalled submarine deployed missile force.

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A subsidiary fear, although a much discussed one, is that the ever-increasing complexity of American weapons makes them unreliable, in part because of lack of sophistication among

military personnel. So, although Mr. Reagan can hardly hope to close the tank gap with the Soviet Union (currently 40,000 versus 10,000) he will increase tank purchases by nearly 40 per cent in the next two years. He has restored to the Pentagon's order book the F-104, A10 fighter, formerly held to be obsolete. There will be a new nuclear-powered aircraft carrier and, of course, there will be a manned bomber, although whether it will be the \$250 B-1 under another name or a cheaper General Dynamics derivative is not yet decided.

The most immediate large contract decision will be on the transport aircraft, another "controversial" weapon needed for the Rapid Deployment Force and other uses. Lockheed, Boeing and McDonnell Douglas are in competition for this contract and have spent not far short of \$100m between them on the back-up to their bids.

For the large contractors, the biggest financial benefits will flow from an increased order rate for numerous types of aircraft and ship. There will be more fighters and helicopters from McDonnell, General Dynamics, Fairchild, Northrop, Hughes, United Technologies and Grumman, more ships from Tenneco, Litton and others, more tanks from Chrysler, more missiles from Lockheed, Martin Marietta and others.

There are, however, real fears that, just as the political

will has re-emerged to mobilise the vast American war machine, the machine itself may be short of a few parts.

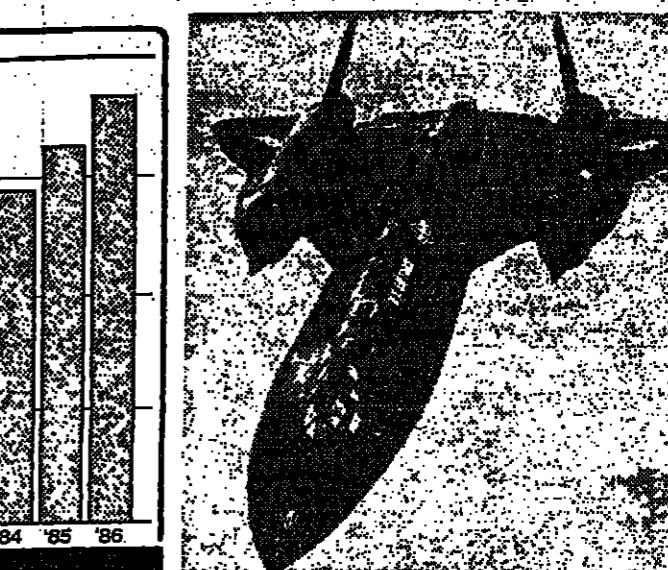
The winding-down of the Vietnam war effort, coinciding as it did with a much-reduced space programme, produced widespread redundancies among skilled engineers, especially on the West Coast, and squeezed profits of hundreds of smaller defence suppliers (as well as some larger ones), so that many either turned to non-defence business or went bankrupt. Engineering schools, meanwhile, were short of students.

This twin shortage of skilled manpower and key materials or

## TOP TEN U.S. DEFENCE CONTRACTORS

	Awards (\$bn)	1980	1979
1 General Dynamics (1)	3.5	3.5	
2 McDonnell Corporation (2)	3.2	3.2	
3 United Technologies Corporation (3)	2.1	2.6	
4 Boeing Company (7)	2.4	1.5	
5 General Electric Company (4)	2.2	2.0	
6 Lockheed Corporation (5)	2.4	2.0	
7 Hughes Aircraft Company (6)	1.8	1.6	
8 Raytheon Company (9)	1.7	1.2	
9 Tenneco Incorporated (10)	1.5	1.1	
10 Grumman Corporation (8)	1.3	1.4	

Figures in brackets denote 1979 positions.



The Lockheed SR-71 "Blackbird"

time when, in spite of Mr. Carter's alleged frugality on defence, a number of major weapons programmes were also to a typical 10 per cent.

The contractors argue strongly that the problems would be avoided by a steadier programme of procurement from the Pentagon and a switch to multi-year rather than one-year contracts, an idea for which the new Administration has shown some sympathy. A more difficult question is that of financial rewards for defence contracting, with most contracted rates of return still pegged at an arguably inadequate 8 per cent after tax.

Yet, today the situation is much eased (titanium fasteners down below one year) and the industry is more composed. McDonnell Douglas says it will be able to cope, even if the commercial scene peaks with the military programme in 1984, as is distinctly possible. Others disagree. "It could really jam the thing up if that happens," says Mr. Bob Child, Lockheed's domestic marketing director.

McDonnell, of course, is not just sitting around hoping for things to be OK, it is securing its supply lines and, in the case of landing gears, planning an in-house production facility to supplement its supplies.

If a crunch comes, the Pentagon has power to order priority for its own programmes, although that would have a serious effect on the civil aviation and electronics business, in which most of the defence contractors are also involved.

From the point of view of the smaller contractor, the art is to maintain diversity of contracts and avoid being bullied by the Pentagon or a prime contractor into accepting changes in contract specifications without adequate financial compensation, according to Mr. Howard Cusick, head of Hitco, an Arco subsidiary which makes submarine hulls and aircraft brakes. Such problems also afflict big contractors too, of course, as General Dynamics has found with its late and greatly over-budget Trident submarine programme.

The manpower problems are similar. Supplies of trained engineers are still tight after a rather weak year for the U.S. economy. These conditions have driven pay rates to undreamed-of levels—\$28 an hour for a

fringe benefit, such as Government-funded R and D, which creates spin-offs, the ability to produce derivatives for exports sales (a growing business for several companies) and a steadiness which is certainly lacking in the commercial aerospace business.

The majority of defence contractors are in little doubt that their defence and civil activities offer mutual synergy.

In some important instances, such as the VHSIC (Very High Speed Integrated Circuit) programme, the Pentagon has specifically funded a piece of work to keep a group of companies working on the defence contractors' art of the microchip technology.

In certain advanced areas such as robotics, lasers, satellite communications or advanced materials, the links between the military and the commercial are all too obvious.

As for picking winners, well, there are not likely to be many out-and-out losers in the defence field in the next few years. First Albany's list of favourites tends towards the esoteric, including Itek (lasers), Loral and Sanders (electronic warfare systems), Cincinnati Milacron and Analog Devices (robots). Quantronics (microelectronics) and Nuclear Metals (advanced materials). Even beyond the Reagan boom, these sectors are felt to be certain growth businesses.

Right now, the U.S. defence industry, for all the worries of Congressmen about its state of preparedness, is feeling good about itself.

## The challenge to Poland

THE POLISH cauldron continues to bubble furiously: the wonder of it is that it has not boiled over. In the past few days the authorities in Warsaw have reversed their refusal to recognise the Solidarnosc, a peasants' union; the Communist Party has made placatory gestures towards members who want to break with the concept of "democratic centralism"; the fiction that whatever the party leadership decrees is *ipso facto* democratic; and the West has taken an important step towards rescheduling the debt of about US\$24bn that Poland owes to it.

A task force representing Western bank creditors, after a meeting with the Poles, recommended that proposals be drawn up to defer the payment of \$3.1bn in Polish debt falling due this year. Another \$4.4bn in official debt, such as export credits, also comes due this year. Western governments are within sight of an agreement for rescheduling that portion of the Polish debt.

Unfortunately, it would be wrong to conclude that, at least as far as money matters are concerned, the Poles are out of the woods. Much can go wrong before the recommendations of the banking task force are turned into a firm agreement.

The case that the Polish side submitted to the meeting comes close to having been a petition in bankruptcy. Poland will need additional credit at least until the mid-1980s. Before the situation stabilises, agriculture and industry—above all the coal mines—must be put back into order. Economic expectations raised by the rise of the Solidarnosc trade union movement will have to be severely reduced: the Poles have already acknowledged the need for an austerity programme.

It would be tempting for western banks and governments to demand that the Russians should play their part in filling up Poland's all but exhausted foreign reserves. But the political argument against anything that smacks of a deal with Moscow is overwhelming. The West must not be seen to be

## MEN AND MATTERS

## Futures exports earn award

However intangible they may sound, invisible earnings from deals in commodity futures have substance enough to bring the first Queen's Award for exports today to an independent City commodity broker.

Inter Commodities achieves the distinction by earning £1.35m in commissions from foreign clients last year.

The company was only founded in 1972. By 1976 its pre-tax profits were still a mere £15,000. But in the last few years its business has grown at a phenomenal rate. Profits last year were £675,000.

"It was the relaxation of exchange controls in 1979 that gave us the real boost," says founding partner and joint financial and managing director Christopher Sharples. Overseas earnings this year trebled to more than £1m.

But Sharples, son of Sir Richard Sharples, the Governor

of Bermuda who was assassinated in 1973, would be unduly modest if he were to give Chancellor Sir Geoffrey Howe all the credit.

Inter's success owes at least as much to its meticulous marketing planning. It set out to capture foreign clients by establishing a sophisticated and extensive communications network centred on its London offices. Dealers fluent in foreign languages were trained and recruited.

The company pioneered a computer data transmission package which gave clients daily access to their account details and valuations through computer terminals in their own offices. The system was later expanded to include a market information service.

As a result, Inter's dealings now cover contracts worth £1.1bn on all the world's major commodity exchanges for clients in 21 countries from Argentina to Zambia.

## Party goers

It could be that even among the ranks of the unemployed faith in the future of the Conservative Party still burns brightly; or merely that any job is better than none. But Central Office has been overwhelmed with 750 applications for jobs as party agents.

The party has some 20 vacancies in various parts of the country at the moment and has been advertising during the past couple of weeks for persons between the ages of 20-48, with four "O" levels (must include English and Maths). Salary for the posts, paid by the constituency party, starts at £4,226 plus a car or car allowance.

Four or five members of the Central Office staff made redundant earlier this year, including Young Conservatives organiser Roger Pratt, have been re-employed in the field. The others chosen to bring the party's complement up to its full strength of 475 will begin training next month.

Clay confirms that he has had two serious approaches in recent days. One, from a fellow Football League chairman who wanted to buy out the club's Rugby League interests. "He'd heard of some disagreements here, which were exaggerated, and so put in an offer," says Clay. "He later raised the offer when the rugby team won promotion."

The other offer, Clay tells me, comes from an international business consortium. But he has no idea whether Malcolm Allison and former England captain Bobby Moore are involved.

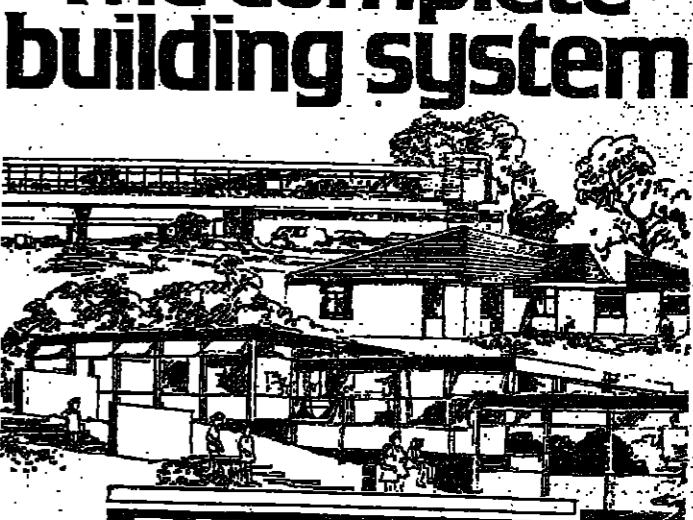
Clay does not seem to be planning to quit the football scene, however. He intends to stand for election as president of the Football League when the post falls vacant next month.

If successful, he says he would try to reorganise the sport and put an end to what he describes as "a big promotion." Clay does not seem to be planning to quit the football scene, however. He intends to stand for election as president of the Football League when the post falls vacant next month.

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David Churchill looks at multinational dominance in the world cigarette market

# The Third World's smoke signals

THE BRITISH tobacco industry may be in the midst of its post-Budget blues, but the world market for cigarettes is growing virtually unchecked. Worldwide, demand for cigarettes has risen steadily for the past two decades and its growth is forecast to continue at the same—or slightly faster—pace.

Every year, in fact, a market the size of the UK (the fourth largest in the non-communist world) is added to world cigarette sales.

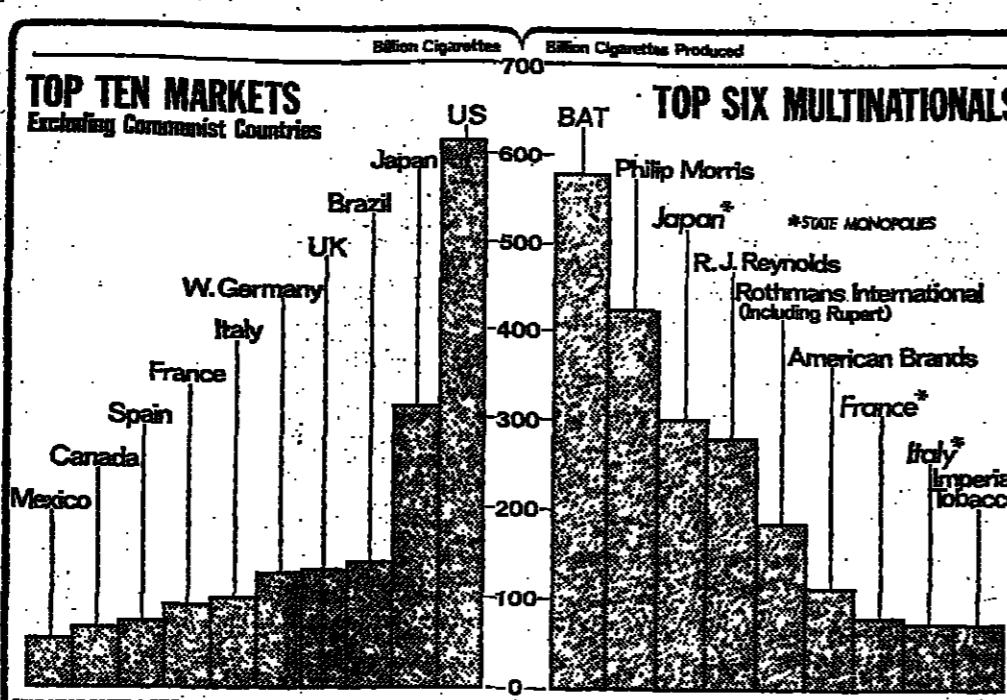
Against this global background is the determination of the multinational tobacco companies to increase further their stranglehold on worldwide sales. Already some 58 per cent of the non-communist world's cigarette production is in the hands of just six tobacco multinationals. If the current talks on a possible link-up between Rothmans International and R. J. Reynolds go ahead, then that concentration will increase significantly.

The Rothmans-Reynolds tie-up is aimed at strengthening the two companies' positions in the U.S. and Europe—but it is the Third World countries of Africa and the Far East that are the real prize being sought by the multinationals.

Sales in the Third World are

only about a half of sales in the industrialised countries (and about 40 per cent of sales in the Communist bloc). From this smaller base, the growth rate over the past seven years (13.8 per cent) has been greater than that for the developed countries and Communist markets combined (3.5 per cent). Moreover, estimates for Third World growth over the next five years suggest a growth rate three times that of the developed countries.

Such Third World growth—which looks especially attractive against the maturing markets of developed countries—is based on several factors. These include the existing low per capita cigarette consumption, strong standards of living, a



switch from hand-rolled to machine-made cigarettes, and the fact that anti-smoking lobbies are virtually non-existent (as yet) in the Third World.

But the covetous way in which the multinationals are viewing Third World markets has already come in for some criticism about the abuse of multinational power. The UK Government, for example, last year made clear its concern that some multinationals were exporting to Third World countries higher tar cigarettes than could be sold in Britain.

In addition, the Geneva-based United Nations Conference on Trade and Development (UNCTAD) has produced a detailed report accusing the tobacco multinationals of widespread bribery in overseas markets. (They spend \$1.8bn on advertising.) The report

states that a major "component of world tobacco marketing is global corporate bribery, or the 'pay-off' complex involving millions of dollars."

Whatever is the truth of UNCTAD's allegations, the steady push for growth has been sufficient to join the various state-owned tobacco monopolies in Europe and Japan to combine to meet the challenge.

Last month the five monopolies—from France, Italy, Austria, Portugal, and Japan—announced they were to produce jointly a cigarette under the brand name "Champagne" to compete with the rising popularity of the multinationals' brands.

The multinationals' power over the world cigarette markets is to a certain extent hidden by the complex maze of financial

connections, leasing deals, and

arrangements that exist between the multinationals in most countries. For example, Gallaher, the second largest UK cigarette manufacturer which is owned by the U.S. multinational American Brands, sells Winston cigarettes in Britain. But in the U.S. market Winston is the second most popular brand and owned by rival multinational R. J. Reynolds.

The complexity of multinational wheeling and dealing is also shown by the activities of Dr. Anton Rupert, the South African multi-millionaire whose share dealings are always shrouded in the utmost secrecy.

Dr. Rupert, who controls the South African Rembrandt tobacco group, is believed to have around a 44 per cent shareholding in Rothmans International and 50 per cent of the voting rights. The Rothmans

stake is through Rothmans Tobacco Holdings, which in turn is controlled by the Rupert Foundation based in Luxembourg.

It was a private meeting between Dr. Rupert and Mr. Paul Stiehl, chairman of R. J. Reynolds, which is understood to have sparked off the "talks about talks" of a possible link-up between Rothmans and Reynolds. These talks are still progressing although a new development—perhaps details of a partial merger or other financial arrangement—is expected shortly.

The world market for cigarettes (based on production figures which are generally more accurate than consumption statistics) totals approximately 4,350bn cigarettes. This is split three ways with the developed countries responsible for 1,845bn, the communist countries some 1,530bn, and the developing countries 975bn.

Of these three sectors, the fastest growth over the 1970s has been shown by the developing countries of the Third World—whose compound growth rate per year has been 3.8 per cent, while the Communist bloc has grown by 2 per cent, and the developed countries by 1.5 per cent.

Over the next five years, according to estimates by stockbrokers De Zoete and Bevan, the world total should grow by 2 per cent, with the Third World increasing by almost twice that at 3.9 per cent. Communist countries by 1.6 per cent, and the developed nations by 1.2 per cent.

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The world market for cigarettes (based on production figures which are generally more accurate than consumption statistics) totals approximately 4,350bn cigarettes. This is split three ways with the developed countries responsible for 1,845bn, the communist countries some 1,530bn, and the developing countries 975bn.

Of these three sectors, the fastest growth over the 1970s has been shown by the developing countries of the Third World—whose compound growth rate per year has been 3.8 per cent, while the Communist bloc has grown by 2 per cent, and the developed countries by 1.5 per cent.

Over the next five years, according to estimates by stockbrokers De Zoete and Bevan, the world total should grow by 2 per cent, with the Third World increasing by almost twice that at 3.9 per cent. Communist countries by 1.6 per cent, and the developed nations by 1.2 per cent.

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## An exception

### to the rule

THE UK market for cigarettes is one of the few exceptions to the consistent world-wide growth trend for cigarette consumption.

British cigarette sales, which totalled 124bn last year, have fallen every year since 1974. Last year the decline was about 2.5 per cent—by the end of this year the overall slump is expected to be between 3 and 10 per cent.

The largest tobacco multinational is BAT which is rated in 50th place in the "Fortune" list of the world's top industrial companies. About one in five of all cigarettes smoked in the non-Communist world is a BAT brand and the multinational is represented either as a manufacturer or distributor—in virtually every world market.

BAT earns the bulk of its profits from both North America (through its Brown and Williamson subsidiary) and South America (especially Brazil) and is strongest in Europe in the West German market. Its attempt to break into the UK market in the late 1970s with its State Express brand has so far not been a major success.

Philip Morris is rated as the second largest cigarette company with worldwide output of some 425bn cigarettes.

Over the next five years, according to estimates by stockbrokers De Zoete and Bevan, the world total should grow by 2 per cent, with the Third World increasing by almost twice that at 3.9 per cent. Communist countries by 1.6 per cent, and the developed nations by 1.2 per cent.

The overseas interests of American Brands, with total cigarette output of 110bn, are mainly a share of the UK market (through Gallaher's 30 per cent) and a much smaller share of the Netherlands market.

Apart from the multinationals,

re-stocking has started again in the past 10 days. Smokers, therefore, have had the full impact of the Budget duty increase cushioned by their own pre-Budget buying.

However, now that the higher prices—91p for a packet of premium King Size cigarettes—are beginning to become more widespread, the cigarette market is likely to stamp further as smokers decide to reduce their addiction.

The industry remains confident that most of these smokers will gradually adjust to the higher prices and return to their old smoking habits. But not all smokers will return to the fold—thus accelerating the long-term decline in the market. And, on top of this trend, the industry is also on the defensive against the anti-smoking lobby's attack on health grounds and the attempts to ban all cigarette advertising except at the point of sale.

Thus, since the Budget announcement last week could soon become a full-scale rout. Hence the determination of the tobacco multinationals to seek growth in overseas markets.

up their markets.

There seems little to stop the relentless growth of the multinationals in the world market and some observers believe that if they can successfully capture markets in Africa and the Far East, then the multinationals will control some three-quarters of the world output by the end of the decade.</

## ● NEWS ANALYSIS: PMA RIGHTS ISSUE

## Toppling furniture maker seeks a second chance

BY TERRY GARRETT

IT IS not often that investors are presented with a new issue of fixed interest stock by a company that needs "a substantial turnaround" in trading if it is to be able to pay the first dividend, due next January.

Yet that is the proposition on offer to shareholders of furniture manufacturer, PMA Holdings—a company which has been overwhelmed by interest charges at a time when demand has fallen away.

Its survival plan is a series of asset disposals raising £44m. and a £1.1m rights issue of convertible cumulative redeemable preference shares which shareholders have, before them now, Friday, an acceptance day, and the stock is priced at par £1.

The conversion terms of four ordinary £1.1m. £1 of preference gives an effective price of 25p against a current market price of 22p. However, the preference offers a gross return of 14.3 per cent—when and if PMA pays its dividends.

Many shareholders may be tempted to ignore the rights and let the underwriters do their job. Yet traumatic as the recent experience of PMA has been, the

company now looks in some sort of shape for a recovery.

Undoubtedly the shares must be viewed as a high risk investment. But chairman Mr. Malcolm Meredith and his boardroom colleagues had, until last year, at least, a good track record and there seems a reasonable and chance that they will be able to bring PMA back from the brink.

It was only two years ago that PMA was hailed in the stock market as a fast emerging furniture maker. The shares were changing hands at more than 100p above today's level and City analysts were talking of a ten-fold rise in profits between the year 1977-78 and 1979-80.

The rapid rise and equally rapid fall of PMA has been breathtaking.

Mr. Meredith and his two boardroom colleagues, Mr. C. Engwell and Mr. H. Price, moved into PMA in 1976. The company was making sales of around £4m and knocking up substantial losses.

The team had already showed something of a track record at Gold Cross Hospital Supplies, a company taken over in 1975 by

G. D. Searle of the U.S.

Their ambition was to take PMA and mould it into a "major force within the furniture industry," according to Mr. Meredith. In the year from March 1977 to March 1979, pre-tax profits rose from £62,800 to £402,000. A couple of small acquisitions had been made along the way but the real bout of buying was yet to come.

In March 1979, PMA made a £5.2m acquisition of Ladyship International and Skelham Group, manufacturers and distributors of kitchen and bedroom furniture. The trading arm of Ladyship was Gowers, a well known producer of flat pack furniture.

The deal was financed by a £2m term loan, a £1.7m rights issue and £50,000 ordinary shares. The two companies PMA took on had annual sales of around £16m and profits thought to be in the region of £1.2m. The market sensed a winner.

But with hindsight the danger signals were emerging. After this deal PMA's capital gearing was set to rise to over 100 per cent.

Last week he said: "We felt we could live with the gearing, but what we could not overcome were certain legacies which smashed our balance sheet."

"With hindsight I could not have bought Lebus at a worse time."

Undoubtedly Mr. Meredith lays most of his troubles at the door of Lebus. In the year to March 1980, PMA had to bear £2.72m of extraordinary items. A major part of these related to provisions against Lebus.

However, Mr. Meredith is confident that the company is now sufficiently strong to be there

at the end of the recession.

Sales of what is left still top £2m on an annual basis and if he can repair margins sufficiently, the company could be in the black in the current year.

By February of this year, PMA's borrowing had reached nearly £9m. Shareholders had not heard from the company since the half year figures to September 1979, although it was patently clear everything was not well.

Early this year, the company revealed how hard it had been hit by the Lebus acquisition, sparing capital gearing and falling demand.

Looking at the companies that are left, the obvious weak area of representation is cabinet manufacture now that Ladyship has gone. PMA already has a significant commitment to the upholstery market so expansion there by acquisition looks very unlikely.

PMA's chairman still eyes the Continental European market for the future although, now he admits: "It might not be us that gets a foothold in Europe first."

Survival may be the byword now, but expansion is still the long-term ambition.

Financial Times Tuesday April 21 1981

US \$100,000,000

Republic of the Philippines



Floating Rate Notes Due 1986

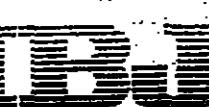
In accordance with the provisions of the Notes notice is hereby given that for the six month Interest Period from 21st April, 1981 to 21st October, 1981 the Notes will carry an Interest Rate of 16 1/2% per annum and the Coupon Amount per US \$5,000 will be US \$424.14

Credit Suisse First Boston Limited

Agent Bank

U.S. \$20,000,000

The Industrial Bank of Japan, Limited



Floating Rate London-Dollar Negotiable Certificates of Deposit due 21st April, 1983

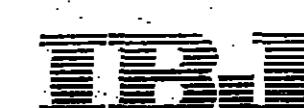
In accordance with the provisions of the Certificates, notice is hereby given that for the six month Interest Period from 21st April, 1981 to 21st October, 1981, the Certificates will carry an Interest Rate of 16 1/2% per annum. The relevant Interest Payment Date will be 21st October, 1981.

Credit Suisse First Boston Limited

Agent Bank

U.S. \$25,000,000

The Industrial Bank of Japan, Limited



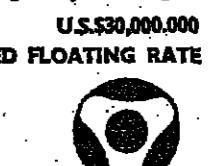
Floating Rate London-Dollar Negotiable Certificates of Deposit due 21st October, 1982

In accordance with the provisions of the Certificates, notice is hereby given that for the six month Interest Period from 21st April, 1981 to 21st October, 1981, the Certificates will carry an Interest Rate of 16 1/2% per annum. The relevant Interest Payment Date will be 21st October, 1981.

Credit Suisse First Boston Limited

Agent Bank

Bank of Tokyo (Curacao) Holding N.V.



U.S.\$30,000,000

GUARANTEED FLOATING RATE NOTES DUE 1993

Payment of the principal of, and interest on, the Notes is unconditionally and irrevocably guaranteed by

The Bank of Tokyo, Ltd.

(Kabuishi Kaisha Tokyo Ginko)

In accordance with the provisions of the Agency Agreement between Bank of Tokyo (Curacao) Holding N.V., The Bank of Tokyo, Ltd., and Citibank, N.A., dated 16th October, 1978, notice is hereby given that the Rate of Interest has been fixed at 16 1/2% p.a. and that the interest payable on the relevant Interest Payment Date, 21st October, 1981, against Coupon No. 6 will be US\$84.31.

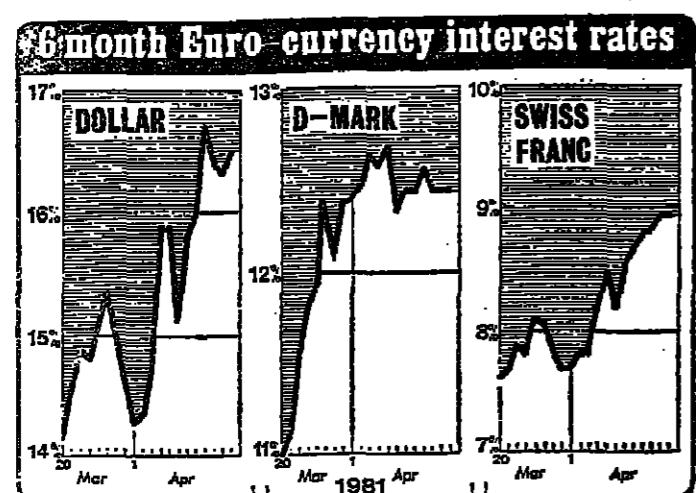
21st April, 1981

By: Citibank, N.A., London, Agent Bank

CITIBANK



## INTERNATIONAL CAPITAL MARKETS



## CREDITS

BY PETER MONTAGNON

## Italy returns for \$250m

ITALY'S state oil concern, ENI, is expected shortly to launch a \$250m, eight-year Eurocredit which will be the first major borrowing by an Italian public sector entity since the \$10m earthquake reconstruction loan for Cassa per il Mezzogiorno.

Terms of the credit, which is to be led by Banco di Roma and a group of U.S., French, Japanese and Arab banks, provide for a margin of 1 per cent over London interbank offered rate (Libor) for the first four years rising to 1 per cent for the last four.

The margins are higher than those on the earthquake loan, which bore interest at a spread of 4 to 1 over Libor or 4 to 1 over U.S. prime.

This credit will, however, not be guaranteed by State, a factor which makes comparison with the earthquake credit less easy.

More striking is the contrast between the ENI credit and a \$350m loan for Spain's state holding company INI. Launched last week, it bears a flat margin of 1 per cent over Libor throughout.

The terms of the two credits tend to confirm that Spain is now able to raise funds on easier terms than Italy.

In part this is attributable to Spanish regulations linking the amount of peseta business

foreign banks can do in Spain to the level of their dollar lending to that country. The peseta business is highly lucra-

tive for foreign banks now setting up branches in Spain and encourages them to accept fine terms on Euromarket business.

But it remains that Italian borrowers have suffered from the size of their requirements. While Spanish borrowers raised only \$4.5m in Eurocredits last year, Italian borrowers raised \$6.5bn, an amount exceeded only by Venezuela, which took \$8.7bn.

Elsewhere in Europe, Ireland is raising \$250m through a 10-year club deal bearing interest at a margin of 1 per cent over Libor for the first five years rising to 1 per cent thereafter.

The loan, led by Bank of Nova Scotia and Manufacturers Hanover, represents a relatively rare operation by Ireland, which not only ranks as a prime borrower but also has a scarcity value that makes its credits particularly attractive to international banks.

In Mexico, Banco Nacional de Comercio Exterior, the State foreign trade bank, is raising \$350m through an eight-year deal at a margin of 1 per cent over Libor, or 1 per cent thereafter.

Bank of Tokyo is acting as agent for this credit, while other lead managers are Arab Banking Corporation, Barclays, Chemical Bank, and Canadian Imperial Bank of Commerce.

## INTERNATIONAL BONDS

## Investors take a holiday

BY JOHN MAKINSON

EUROMARKET bankers leaving for the long Easter weekend last Thursday must have been worried by the scarcity of buying orders sitting in their in-trays. In the face of climbing short-term interest rates and a highly confused outlook for long rates, demand for Eurobonds in all the major currencies has dwindled to a trickle.

Bankers have sought several scapegoats for the unsatisfactory stop-go performance of the markets this year. In January, blame was laid at the door of leading Eurobond managers who, through the practice of bought deals, were pricing bonds at unrealistic levels and choking any potential recovery. Borrowers were also criticised for refusing to pay the going rate for new issues. Now it is the turn of investors.

Vestiges of the old problems remain, of course. A \$100m five-year straight bond for Bank of Montreal was launched as a bought deal—in which terms are agreed in advance—by UBS (Securities) this week. The response was not universally enthusiastic and by Thursday evening it was trading at less than 103 to 103 1/2.

In the D-Mark sector, Norges Kommunalbank was unable to agree with lead manager Westdeutsche Landesbank on terms of a proposed DM 100m issue. With a recent 10 per cent issue in any case significant because the maturity of 9 years was unusually short for the borrower. It is clear that with rates remaining so volatile, investors have little appetite for a single-figure coupon, even though Kommunalbank is a very long-dated paper and more acceptable name than maturities are shortening.

## U.S. BONDS

## Money supply figures trigger nervous start to trading

BY DAVID LASCELLES

TRADING OPENED nervously on the U.S. credit markets yesterday after the sharp rise in the money supply announced late on Friday by the Federal Reserve, but drew comfort from news that the GNP deflator—a good measure of inflation—was only 7.8 per cent in the first quarter, down from 10.7 per cent in the final quarter of 1980.

Several more large banks increased their prime rate to 17% per cent, matching last week's rebound. Eyes are now on Citibank, which has stuck at 17 per cent, but reviews its prime on Tuesday mornings.

Although the two M1 measures remain at or below the Fed's growth targets, the recent spurt has put the quarterly

growth rate of M1-B, the most widely watched measure, at more than 10 per cent compared with target of 5 to 6 per cent.

M2, a broader and less conspicuous measure but one which the Fed watches, is also approaching the top end of its range.

As usual, observers are urging the market not to get worked up about short-term fluctuations in the money supply. But the habit is deeply ingrained, and the upward trend is giving the market a rationale for its rather nebulous fears about the outlook. Chase Manhattan's weekly money market report suggests the money supply has some catching up to do with the pace of economic activity in the first

quarter, and even suspects the Fed may have to tighten credit again soon.

With yields on long-term bonds hovering around record

U.S. INTEREST RATES (%)

	Week to April 17	Week to April 18
Fed Funds weekly average	15.18	15.39
8-month Treasury bills	13.77	13.95
30-year CD	15.50	15.60
Corporate 6/5 Fin. 10.85	10.85	10.85
Corporate 6/5 Fin. 12.87	12.87	12.87
Corporate 6/5 Fin. 14.50	14.50	14.38

Source: Salomon Bros. estimates.

levels last week and some short-term rates edging up again, the market looks highly vulnerable

CURRENT INTERNATIONAL BOND ISSUES						
Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager
U.S. DOLLARS						
Community Psychiatric 15	1986	15	8.1	100	Merrill Lynch	
Petro-Lewis Int'l Fin. NV 30	1986	5	71.4	100	Blyth Eastman Paine	
Banco de Chile 30	1986	5	61.0	100	Daiwa Securities	
Midland Int'l. BV 150	1991	10	9.0	100	Samuel Montagu, EBC	
LifeMark Corp. 25	1996	15	9.1	100	CSFB	
SCSW Int'l. Fin. NV 20	1996	15	9.1	100	Shearson Loeb Rhoads	
Apache Int'l. NV 30	1996	15	83.9	100	Kleinwort Benson	
TCFE 100	1988	7	51.0	100	E. F. Hutton	
Bank of Montreal 100	1986	5	14.2	99.1	Nomura Securities	
Merrill Lynch Ov. Cap. NV 100	1987	6	—	99.2	UBS (Secs)	
						Merrill Lynch
D-MARKS						
Finland 100	1989	8	10	99.1	Dresdner Bank	
						10.141
FRENCH FRANCS						
BankAmerica Ov. Fin. Co. NV 250	1986	5	14.1	100	Paribas, B of A, Caisse des Depots	
SWISS FRANCS						
Oest. Kontrol. 100	1993	—	7	100	Wirtschafts- und Privatkreditbank	
World Bank 100	1990	—	7	100	SBC	
Autopista Vasco Aragonesa 30	1988/91	—	71.4	100	Banque Gutwille	
Gestar 100	1991	—	7	100	Credit Suisse	
Nachi Fujikoshi 50	1986	—	41	100	UBS	
World Bank 50	1986	—	72	100	UBS	
Schultsuya Co. 50	1987	—	5	100	Credit Suisse	
Pihra Autobahn (Austria) 70	1991	—	7	100	SBC	
STERLING						
Pemex 50	2006	25	14.1	96.1	Lloyds Bank Int'l.	
YEN						
AIBD 15bn	1991	8.43	81	99.1	Daiwa Securities	
World Bank 30bn	1996	12.3	8.2	99.3	Yamaichi Securities	
SDR						
IENEL (Speed Italy) 100	1986/9	5	5.0	100	Dillon Read Ov. Corp.	
PIUK 50	1988	7	—	100	Indo-Suez, Kreditbank	

\* Not yet priced. <sup>1/2</sup> Final terms. <sup>2/3</sup> Placement. <sup>4/5</sup> Floating rate note. <sup>6/7</sup> Minimum. <sup>8/9</sup> Commodity. <sup>10/11</sup> Purchase Fund. Note: Yields are calculated on AIBD basis.

BY DAVID LASCELLES

(nominal value in \$m)

EUROBOND TURNOVER

(nominal value in \$m)

U.S. bonds

Last week 1,674.2 3,286.5

Previous week 1,190.8 2,871.3

Other bonds

Last week 428 529.3

Previous week 420.3 398.2

Issue discount bonds to their logical extreme and will bring the investors their entire yield in the form of capital gain. The price has not yet been set.

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(nominal value in \$m)

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30-year bonds, which could set a new record.

Significantly, the New York State Public Service Commission said it had recently granted Consolidated Edison, the power utility, a record 15.1 per cent rate increase to improve its standing in the credit markets. One of the commissioners was quoted as saying: "If public utilities are regarded as a poor risk for investors, and the companies cannot raise the necessary money, it's the consumer who gets it in the end as a result of deteriorating service."

This week may also bring a novelty: a publicly offered zero-coupon bond by J. C. Penney, the large chain store group. The \$100m of eight-year notes take the recently fashionable original

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## Companies and Markets

## WORLD STOCK MARKETS

## NEW YORK

Stock	April 15	Stock	April 16	Stock	April 15	Stock	April 16	Stock	April 15	Stock	April 15	Stock	April 15	Stock	April 15
ACF Industries	492	Columbia Gas	38	St. Olaf. Pres. Tcs	61	MEM	123	Schultz Brew J.	12	121	121	Seafarers (G)	272	Seafarers (G)	272
AMF	48	Columbia Pct.	43	Co. Bankers Pres	11	Metromedia	124	Seafarers (G)	12	121	121	Seafarers (G)	272	Seafarers (G)	272
AMT	124	Combined Int'l	62	Com. Int'l	43	Milton Bradley	125	Seafarers (G)	12	121	121	Seafarers (G)	272	Seafarers (G)	272
ASA	124	Comm. Ed. Corp	42	CLN/Ch. Helicopters	154	Minnesota MM.	161	Scott Paper	204	304	304	Scott Paper	204	Scott Paper	204
AVX Corp	221	Conair	52	Com. Int'l	154	Missouri Pac.	87	Seaudier Duo V.	144	144	144	Seaudier Duo V.	243	Seaudier Duo V.	243
Acme Alloys	21	Conair Sciences	21	Com. Int'l	154	Modern Marching	107	Sea Cont.	245	245	245	Sea Cont.	245	Sea Cont.	245
Acme Alloys	21	Conn. Mills	55	Com. Int'l	154	Modern Marching	107	Sealed Power	293	294	294	Sealed Power	293	Sealed Power	294
Acme Alloys	21	Gulf Oil	33	Com. Int'l	154	Mohasco	117	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Gulf Oil	33	Com. Int'l	154	Mohasco	117	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hall Oil	33	Monogram	124	Monogram	124	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hall Oil	33	Morgan GP	61	Morgan GP	61	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hammerton Pct.	43	Hannerman	157	Mountain Pac.	87	Seaudier Duo V.	144	144	144	Seaudier Duo V.	243	Seaudier Duo V.	243
Acme Alloys	21	Hannerman	157	Hannerman	157	Missouri Pac.	87	Seaudier Duo V.	144	144	144	Seaudier Duo V.	243	Seaudier Duo V.	243
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Seaudier Duo V.	144	144	144	Seaudier Duo V.	243	Seaudier Duo V.	243
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Sealed Power	293	294	294	Sealed Power	293	Sealed Power	294
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272	272	Searie (G)	272	Searie (G)	272
Acme Alloys	21	Hannerman	157	Hannerman	157	Modern Marching	107	Searie (G)	272	272					

## Brokers' commission causes turmoil

BY ERIC SHORT

A CALM has returned to the life assurance industry after months of turmoil between the Life Offices Association and the British Insurance Brokers' Association.

The cause of the dispute was related to the commission scales laid down by the LOA and its sister body, the Associated Scottish Life Offices (ASLO).

These bodies fix maximum levels of commission for each type of life and pensions contract that can be paid by its members to insurance brokers and other independent intermediaries.

BIBA wants radical changes to the commission structure so that brokers are rewarded adequately for their work in securing life and pensions business.

BIBA has argued with the LOA that the current system is unfair because it pays the same commission to brokers who provide a full service as it does to intermediaries who only introduce the client to the life company.

The brokers have argued to little avail. Discussions have achieved only three things: higher commission on policies which provide death cover only; special consideration for brokers on the method of payment of commission, in order to boost their cash flow; and tighter rules under which life companies grant agencies.

### Autocratic

The LOA said it would not change the commission structure in the foreseeable future. In theory the structure is presented to brokers on a take or leave it basis—an autocratic situation in these days of collective bargaining. BIBA has acquiesced to the minimal changes.

But conditions have changed since the discussions started. The LOA has suffered because of its rigid attitude. Several of its members agreed with the brokers' case for more commission.

Since the majority view of minimal changes prevailed, five life companies have resigned their membership of the LOA in the past 12 months so that they can pay more commission to brokers.

There are now at least a score of life companies which are not members of the LOA, including Abbey Life and

Equity and Law. New life companies are staying out because of the commission's limitation, and this growing body has certain implications.

First, the LOA-ASLO claim that it speaks for the life assurance industry now has a slightly hollow ring. If further companies leave, there is a danger that the authorities will no longer regard the LOA as representative.

Second, brokers have accepted the LOA commission changes not because they have got what they want but because they now have a viable alternative. They can put their business through a non-member life company, getting more commission as a result.

Many brokers feel that life companies still in the LOA will need their support. If that support falls off in the next year or two the LOA would have to make radical changes or risk breaking up through mass resignation.

Last year conventional life business from brokers and other intermediaries declined, while unit-linked life business continued to expand. Much of the unit-linked growth went to non-member life companies. This year could be crucial for the pattern of life assurance selling and the future of the LOA.

Neither brokers nor life companies feel complacent. The authorities are perturbed at the way a "free for all" is developing over commission payments.

The Labour Opposition recently tried to get written into the Insurance Companies Bill, now going through Parliament, legal power for the Government to impose the maximum amount of commission paid to agents or brokers.

This amendment did not get off the ground. But Mr. Reginald Eyre, Parliamentary Under-Secretary at the Department of Trade, earlier this month expressed concern that policyholders were not being taken into account although they ultimately pay the commission.

The last thing that either life companies or brokers want is for the Government to step in. They have been given an early warning of what could happen. So the LOA and the BIBA should get together now with other non-member life companies and resolve the situation once and for all.

## BUSINESSMAN'S DIARY

### UK TRADE FAIRS AND EXHIBITIONS

Current ..... International Motor Cycle Exhibition (0203 27427) (until Apr. 25)  
Current ..... International Fire, Security and Safety Exhibition and Conference—IFSEC (01-388 7861) (until Apr. 24)  
Apr. 26-29 ..... Incentive Marketing and Sales Promotion Exhibition (01-688 7788)  
Apr. 27-May 1 ..... Storage, Handling and Distribution Exhibition (01-446 2411)  
Apr. 28-30 ..... Leather and Associated Trades Show (01-407 1582)  
Apr. 29-May 17 ..... International Ideal Homes Exhibition (021-705 6707)  
May 5-8 ..... London International Building Products and Services Exhibition (01-540 1101)  
May 8-12 ..... Home Brewing Show (01-383 4000)  
May 10-12 ..... British Craft Trade Fair (0282 867153)  
May 10-17 ..... Audio, Video and Television Fair—ENTERTAINMENT (01-537 2400)  
May 12-14 ..... Defence Components Expo (01-839 5041)  
May 13-14 ..... Scottish Contract Flooring Exhibition (01-936 6811)  
May 15-20 ..... Wholesale Buyers' (Spring) Gift Fair (01-855 9201)  
May 17-21 ..... London Furniture Show (01-385 1200)  
May 19-21 ..... MEX '81 (021-643 6894)

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current ..... Printing and Allied Industries Fair—GRAFIVAK (01-288 2880) (until Apr. 25)  
Apr. 22-26 ..... International Spring Fair (01-86 1881)  
Apr. 25-26 ..... International Collectors Fair—SAB (01-540 1101)  
Apr. 25-May 3 ..... Swiss Industries Fair (Tele 62688)  
Apr. 28-May 3 ..... International Forestry Fair—EUROFORESTA (01-488 4868)  
Apr. 28-May 3 ..... International Exhibition of Contemporary Arts—SIVAL (01-456 1951)  
May 14-17 ..... International Antiques Fair (01-540 1101)  
May 19-22 ..... International Energy Management Exhibition and Congress—ENERGY (0727 63213)

### BUSINESS AND MANAGEMENT CONFERENCES

Apr. 21-22 ..... MSS Computer and Business Consultancy: Accounting for Non-Accountants (0903 34755)  
Apr. 22 ..... Ovez-IBC: Advance problems of DLT—An in-depth examination (01-242 2451)  
Apr. 22-24 ..... Institut de Recherche Interbancaire: International Banking Seminar—Banks and Computers (Paris 7204597)  
Apr. 22-24 ..... Quantum Science: Energy and Digital Technologies—computer and communication systems for Energy Management and Conservation (01-839 5347)  
Apr. 29 ..... LCCE: The Advantages and Hazards of Exporting to Saudi Arabia (01-248 4444)  
Apr. 25 ..... The Marketing Society: Reviewing and Improving your marketing activity (01-57 5811)  
Apr. 28-29 ..... International Maritime Arbitration Organisation: International Maritime Arbitration Symposium (Tele 23092)  
Apr. 30 ..... Institute of Directors: Unfair Competition—The trade barrier of the 80's (01-839 1238)  
Apr. 30 ..... Food Forum: Food Product Liability Seminar (01-456 6757)  
Apr. 30 ..... IPS: Succession Training in Communities, Money and Foreign Exchange (0999-27211)  
May 6-7 ..... Crown Sales Communications: Communications at Work Seminar (01-836 0617)  
May 7-8 ..... Strategic Marketing Computers: Security and Disaster Contingency (01-373 5115)  
May 8 ..... New Opportunity Press: Law at Work '81 (01-444 7261)  
May 11-12 ..... The Economist—Video Conference (01-839 7000)  
May 11 ..... Malaysian Industrial Development Authority: Malaysian Investment Dialogue (01-493 0616)  
May 14 ..... The Textile Institute: Fabrics and Finishes for Workwear (061-834 8457)  
May 16 ..... Thames Polytechnic: How to start your own business (01-551 2030)  
May 19 ..... Dun and Bradstreet: Understanding Credit and Collections—for collection personnel (01-247 4377)  
May 20 ..... Portland Hotel, Manchester

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

## APPOINTMENTS

### Sales chief for Carlsberg

Mr. Michael Macleod has been appointed sales director of CARLSBERG BREWERY head office of the company in the UK. Previously he was head of Carlsberg's southern regional company. His new responsibilities will include sales co-ordination throughout the UK—including Scotland and Northern Ireland. Succeeding him in the London-based company, Carlsberg Distributors, is Mr. Ron Farrell who until recently was the manager of managing director of Scottish and Newcastle Beer (South).

Mr. Philip Addison has been appointed to the main board of FORMANITE INTERNATIONAL as financial director.

LEE BEESLEY HUMPHREYS AND GLASGOW SERVICES has been formed to promote electrical and mechanical design and installation services with the following directors. Mr. Sam Smith, chairman, Lee Beesley; Mr. Lee Green, managing director, Humphreys and Glasgow Services; Mr. Ian White, Lee Beesley and Mr. Reg Turner, Humphreys and Glasgow.

Mr. S. James Baxter has been appointed vice-president and portfolio manager of DOW BANKING CORPORATION, Zurich.

Mr. Michael A. Cockrean has been appointed vice president, sales and trading, for OCCIDENTAL INTERNATIONAL.

Mr. Robert J. Aubrey has been appointed chairman of NORWICH UNION INSURANCE. He succeeds Mr. Desmond Longe in London.

Mr. Eugene A. Sekulow, RCA executive vice-president for corporate affairs, has been elected chairman of the GERMAN AMERICAN CHAMBER OF COMMERCE. He succeeds Mr. Ian MacGregor, the former chairman of AMAX, Inc., and more recently a partner in Lazard Frères, who resigned in May, 1980 to become director of the British Steel Corporation.

Enrique Pérez Hernández has been appointed senior vice-president of international financing of BANCO HISPANO AMERICANO MADRID. He was formerly manager at Banco Urquiza Hispano Americano in London.

Mr. David Vincent has been appointed vice-president in charge of corporate banking for the Mid-West U.S. at CHEMICAL BANK, based in New York. He is succeeded in London by Mr. Andrew Jackson, who has moved from the UK multinationals group of the bank.

## Financial Times Conferences

### ENERGY SUPPLIES—FEAST OR FAMINE?

London, 1 & 2 June 1981  
Mr. James R. Schlesinger, Senior Adviser, Center for Strategic and International Studies, Georgetown University, Former U.S. Secretary of Energy and Former U.S. Secretary of Defense, will be participating at this conference and will consider the topic "Energy Supplies—Feast or Famine?"

### AMERICAN FOREIGN TRADE AND INVESTMENT

New York, 15 & 16 June 1981  
This conference is being held at a time crucial to the development of the American economy. The top officials in trade and treasury will examine those elements of the Government's policies which are aimed at stimulating industry and commercial activity, particularly in the international market-place. Very eminent officials from international authorities will consider the scene from their point of view emphasising the opportunities that exist for expanding trade. Senior United States personalities in the fields of industry, finance and the professions will examine the policies, opportunities and needs for successful business in the current economic climate.

### INTERNATIONAL SUMMER SCHOOL '81—FINANCIAL MANAGEMENT FOR THE NON-FINANCIAL EXECUTIVE

London, 6-17 July 1981  
This is a two-week course arranged by the City University, London, and the Financial Times in London, designed to give students both background information on the various financial "forces" in the modern business world as well as focusing on cost accounting, budgetary control, balance sheet analysis and financial planning. The twenty-two distinguished lecturers on the programme are drawn from universities, banks, accountancy practices and the world of commerce.

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	Day's spread	Close	One month	% p.m.	Three months	% p.m.	One year	% p.m.
U.S.	2,1450-2,1600	2,1530-2,1550	0.50-1.00c/ds	-5.28	2.28-2.28ds	-4.33		
Canada	2,5710-2,5880	2,5730-2,5760	1.10-1.20c/ds	-5.28	3.25-3.40ds	-5.13		
Netherlands	5.21-5.24	5.22-5.23	1.5c-1.75c pm	-1.72	2.5-2.6pm	-1.63		
Denmark	14.77-14.84	14.78-14.81	4.00-5.00c/ds	-7.00	115-130 ds	-4.27		
Ireland	1.2885-1.2905	1.2905-1.2920	0.20-0.30c/ds	-3.16	1.50-1.60c pm	-3.16		
W. Ger.	4.48-4.72	4.70-4.72	1.00-1.00c/ds	-0.32	4-5c/ds	-0.42		
Portugal	12.00-12.05	12.10-12.15	1.00-1.00c/ds	-4.52	30-200 ds	-3.65		
Italy	2.240-2.360	2.240-2.362	1.50-1.75c/ds	-0.16	240-250 ds	-1.78		
Norway	11.81-11.88	11.82-11.88	1.00-1.00c/ds	-0.18	3-4pm ds	-0.02		
France	10.16-10.20	10.17-10.18	1.00-1.00c/ds	-0.67	25-34 ds	-1.17		
Sweden	4.65-4.70	4.67-4.70	2-3c/ds	-1.13	10-11 ds	-4.13		
Japan	33.20-33.40	33.22-33.27	4 gro pm-1 ds	-4.18	1.00-1.00c pm	-3.56		
Austria	4.27-4.32	4.28-4.28	1.00-1.00c/ds	-2.80	7 pm ds	-4.47		
Switz.								
British Pounds								
U.S. forward	4.445-4.52	4.450-4.52	1.00-1.00c/ds	-2.80	3-3 ds	-3.03		
Forwards	4.445-4.52	4.450-4.52	1.00-1.00c/ds	-2.80	7.00-7.20c/ds	-3.03		
For April 15 were: six-month 4.30-4.40c/ds, 12-month 6.50-7.00c/ds.								

## GOLD

April 16 April 15

	Gold Bullion (fine ounce)	Gold Bullion (fine ounce)
Closes	18481.494	(2221.2241)
Opening	18478.479	(2221.2241)
Morning fixing	18481.505	(2221.2241)
Afternoon fixing	18482.50	(2221.2241)
Gold Coins		18478.25
Krugerand	18491.485	(2224.2241)
1/4 Krugerand	18491.485	(2224.2241)
1/10 Krugerand	18491.485	(2224.2241)
Mapleleaf	18482.485	(2224.2241)
King Sovereign	18491.485	(2224.2241)
Victoria Sovereign	18491.485	(2224.2241)
French 20 Francs	18491.485	(2224.2241)
100 Francs	18492.485	(2215.2217)
100 Cor. Austria	18492.485	(2215.2217)
800 Eagles	18500.595	(2274.2274)

April 16 April 15

## OTHER CURRENCIES

	April 16	£	£	£
Argentina Peso	6505-6525	5071-5081	Austria	55.10-55.60
Australia Dollar	170.80-171.80	79.45-79.55	Denmark	14.65-14.75
Brazil Cruzeiro	170.80-171.80	79.45-79.55	France	11.10-11.15
British Marks	9.01-9.04	4.00-4.05	Germany	4.70-4.75
Hong Kong Dollar	11.58-11.59	5.10-5.15	Japan	468-475
Iran Rial	165.10	76.25	Malta	125-125
Kuwait Dinar (KWD)	0.5650-0.5675	0.2700-0.2700	Netherlands	5.10-5.15
Malaysia Ringgit	7.00-7.00	3.25-3.25	Portugal	125-125
New Zealand \$	2.5930-2.5950	1.1177-1.1199	Spain	1851-1851
Singapore Dollars	4.3450-4.3550	2.1110-2.1130	Switzerland	4.2714-4.28
South African Rand	1.7545-1.7563	0.8163-0.8165	United States	2.1414-2.1614
U.A.E. Dirham	7.87-7.95	3.6720-3.6740	Yugoslavia	78-81.50

Rate given for Argentina is free rate. \*Selling rate.

The fixing rates are the arithmetic means, rounded to the nearest one-eighth of the bid and offered rates for \$100 quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

## EURO-CURRENCY INTEREST RATES (Market closing Rates)

April 16	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	117-12	155-154	151-173	10-101s	45-54	111-117s	121-128s	171-19	16-18	5-51s
5 days notice	117-12	154-153	150-172	10-101s	44-53	110-116s	120-127s	170-18	15-17	5-50s
10 days notice	118-12	154-153	151-172	10-101s	45-54	112-118s	122-129s	172-18	16-18	5-52s
Three months	12-125	165-166	171-176	10-101s	84-86	122-122s	131-138s	17-19	16-18	6-71s
Six months	12-128	165-166	164-171	10-101s	84-86	126-121s	135-138s	19-20	16-18	7-71s
One Year	121-128	165-166	164-171	10-101s	84-86	121-121s	135-138s	19-20	16-17	7-71s
SDR linked deposits: one-month 13%-14% per cent; three-months 13%-13% per cent; six-months 13%-13% per cent; one-year 13%-13% per cent.										
ECU linked deposits: one-month 13%-13% per cent; three-months 13%-13% per cent; one-year 13%-13% per cent.										
Asian \$ (closing rates in Singapore): one-month 16%-16% per cent; three-months 16%-16% per cent; four-years 15%-15% per cent; nominal closing rates: one-year 15%-15% per cent; three-years 15%-15% per cent; five-years 15%-15% per cent; nominal closing rates: one-month 15%-15% per cent; one-year 15%-15% per cent.										
The following nominal rates were quoted for London draft certificates of deposit: one-month 15.70-16.00 per cent; three-months 15.90-16.00 per cent; six-months 15.95-16.05 per cent; one-year 15.30-15.40 per cent.										

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgages rates nominally three years 12% per cent; four years 13 per cent; five years 13% per cent. 9-95 bank rates in table are buying rates for local bank bills 11-12 per cent; 9-95 bank bills 11-12 per cent; 9-95 bank bills 11-12 per cent.

Approximate selling rate for one-month Treasury bills 11%-11% per cent; two-months 11%-11% per cent; three-months 11%-11% per cent. Approximate selling rate for one-month bank bills 11%-11% per cent; two-months 11%-11% per cent; three-months 11%-11% per cent.

Finance House Base Rates (published by the Finance House Association) 13 per cent from April 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 8 per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 11.2883 per cent.

## CURRENCY RATES

April 16 Bank rate %

April 16 Bank

# First quarter profits ease at McDonnell-Douglas

By PAUL BETTS IN NEW YORK

McDONNELL DOUGLAS, the U.S. aircraft manufacturer, reports a small decline in first quarter earnings to \$41.3m. on sales of \$1.63bn, from \$43.4m. on sales of \$1.42bn, in the same period last year. But the 1980 earnings included a gain of \$15.5m. for a real estate transaction.

The director stated that total backlog increased from \$1.17bn to \$14.7bn, while firm backlog increased from \$6.77bn to \$8.98bn.

Sales this year are expected by the group to improve in all areas with the exception of commercial aircraft. At the same time, McDonnell Douglas claims earnings this year would improve over 1980 because of

anticipated improvements in the second half of the year.

The aircraft manufacturer's earnings fell sharply last year, by 27 per cent to \$144.6m. in spite of a 14.9 per cent increase in sales and income gains from the sale of real estate and stock holdings. The profit decline reflected continuing production problems at the company's Long Beach, California, operations, where DC-9 and DC-10 commercial aircraft are made.

According to Morgan Stanley, the New York investment house, the company shipped 23 DC-9s and 40 DC-10s worth \$2.2bn last year, compared with 39 DC-9s and 36 DC-10s worth \$2bn in 1979.

## SIP deeper in the red

By James Buxton in Rome

THE TROUBLED financial position of the SIP (Società Italiana per l'Esercizio Telefonico), Italy's main telephone utility, has been emphasised by the release of figures showing that it made a record loss of L538bn (\$512m) in 1980. This amounts to one-sixth of its income from telephone users of L3.300bn, and compares with a loss of L456bn last year.

The SIP's finances became so bad last year that for a time there was a grave danger that it would have to cease ordering new equipment, with disastrous results for the telecommunications equipment industry, which is anyway struggling to restructure itself for the 1980s.

However, a capital injection of L300bn was agreed early this year and it is now in the process of being implemented. A proposal by which the SIP will pay less to the Government for renting telephone lines will save it L130bn if it is passed by the Senate, which is currently examining it.

However, the SIP had been hoping that the Government would this week authorise a 12 per cent rise in telephone charges which would bring in L430bn this year. The Government has now decided to postpone raising the charges at least until next month.

SIP paid L1.40bn in financial charges last year, compared with L824bn in 1979, and had long term debts of L6.500bn at the end of last year. Nevertheless the SIP increased its investment spending from L1.586bn in 1979 to L1.951bn in 1980.

## Justice Department and IBM urged to settle suit

By OUR NEW YORK STAFF

THE NEW YORK Judge currently conducting the hearings in the U.S. Justice Department's anti-trust suit against International Business Machines is pressing the two parties to settle quickly out of court their 12-year legal hostilities.

Judge David Edelstein has also imposed a deadline of June 1 to end the trial which started in May 1975. The trial involves charges made 12 years ago by the U.S. Justice Department that IBM has unlawfully monopolised the U.S. computer industry. IBM has vigorously denied the charges.

IBM said at the weekend that it was willing to resume negotiations with the Justice Department to seek an out of court settlement, although an IBM lawyer claimed the Justice

Department had been unwilling to negotiate a settlement to end the case.

So far, the Justice Department has not responded to the Judge's decision to wind up the protracted trial by June 1, nor the possibility of resuming negotiations with IBM.

The Judge's decision to bring the IBM trial to a swift end reflects similar moves in other major anti-trust litigation outstanding in the U.S. There is growing evidence that the courts are seeking to speed up the various anti-trust cases, including the huge Justice Department anti-trust suit against American Telephone and Telegraph, the country's predominant telephone company.

## Special gain lifts Goodrich

By OUR FINANCIAL STAFF

B. F. GOODRICH, the fourth largest U.S. tyre producer, increased its net profits in the first quarter of the current year, but only after the inclusion of a substantial non-trading gain.

Net profits for the period were \$26.3m, compared with the \$20.3m posted for the opening quarter of 1980. However, the increase came after a gain of \$18m from the tax free exchange of debentures for a new series of cumulative preferred stock. In 1980 there

was a \$3.5m non-trading profit from the sale of its interest in an Australian offshoot.

Sales for the quarter were \$78.40m, which, while showing an advance from the \$76.75m of 1980, were static compared with the closing quarter last year.

Goodrich, while a leading U.S. tyre maker, has in recent years derived the bulk of sales from its chemical and industrial products divisions. The company is the largest U.S. producer of polyvinyl chloride.

## Earnings recovery at Bos Kalis

By CHARLES BATCHELOR IN AMSTERDAM

NET PROFIT of Royal Bos Kalis Westminster, the Dutch dredging and construction group, received in 1980. The 1979 result had been depressed by the liquidation of a subsidiary engaged in supplying services to North Sea oil rigs.

The company reported a net profit of Fl 51.5m (\$21m) compared with Fl 13.7m in 1979, excluding the Fl 35.2m cost of the shut-down of Netherlands Off-share company (NOC) from the 1979 result, last year's profit was little changed from the Fl 51.9m of 1979.

Net profit per share rose to Fl 18.08 from Fl 5.17. Cash flow increased by 29 per cent to Fl 181.5m, while turnover rose by 49 per cent to Fl 2.57bn (\$1.51bn).

## PENDING DIVIDENDS

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus\*) have been officially postponed. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year".

	Announcement last year	Date	Announcement last year	Date
Akrofond & Smidt... May 12	Int. 5.0	May 12	Int. 5.0	May 12
Assoc. Paper... May 15	Int. 2.44	May 15	Int. 2.44	May 15
*SAT Inds... Apr. 29	Int. 6.0	Apr. 29	Int. 6.0	Apr. 29
Bank of Ireland... May 14	Final 11.5	May 14	Final 11.5	May 14
Barcl. & S... May 16	Final 4.195	May 16	Final 4.195	May 16
Blue Circle... Apr. 23	Final 8.7	Apr. 23	Final 8.7	Apr. 23
*British Aerospace... Apr. 21	Int. due	Apr. 21	Int. due	Apr. 21
Brit. Home Stores... May 11	Final 5.25	May 11	Final 5.25	May 11
Brixton Estates... May 7	Final 14.55	May 7	Final 14.55	May 7
Coats Patons... May 13	Final 2.6	May 13	Final 2.6	May 13
*Currie... Apr. 21	Final 6.3	Apr. 21	Final 6.3	Apr. 21
Debenhams... May 29	Final 4.224	May 29	Final 4.224	May 29
Delta Grp... Apr. 22	Final 4.18	Apr. 22	Final 4.18	Apr. 22
Dunlop... Apr. 23	Final 2.05	Apr. 23	Final 2.05	Apr. 23
Euro. Fertilizers... Apr. 28	Final 3.76	Apr. 28	Final 3.76	Apr. 28
French Kier... May 12	Final 1.27	May 12	Final 1.27	May 12
Hell (M.)... May 7	Final 5.56	May 7	Final 5.56	May 7
Hammond Proprietary... Apr. 15	Final 12.0	Apr. 15	Final 12.0	Apr. 15
*Harris... Apr. 22	Final 4.0	Apr. 22	Final 4.0	Apr. 22
House of Fraser... Apr. 29	Final 4.0	Apr. 29	Final 4.0	Apr. 29
Johnson & Johnson... May 14	Int. 1.3	May 14	Int. 1.3	May 14

## Public Works Loan Board rates

Effective from April 11  
Quota loans repaid at maturity

Years	by E.P.T.	At maturity	Non-quota loans A* repaid at maturity	Non-quota loans A* repaid at maturity
Up to 5	124	121	131	131
Over 5, up to 10	131	131	133	144
Over 10, up to 15	131	131	142	144
Over 15, up to 23	131	131	141	144
Over 23	131	131	141	144

\* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. <sup>1</sup> Equal instalments of principal. <sup>2</sup> Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). <sup>3</sup> With half-yearly payment of interest only.

## Paine Webber returns to the black

By OUR NEW YORK STAFF

By David Lascelles in New York

Morgan Stanley's investment research department also said commercial aircraft losses rose from \$56m in 1979 to \$144m because of delays in DC-9 certification and the "inefficiencies of DC-10 production." These had increased from 18 in 1978 to 40 last year but were now falling back to 24 this year and perhaps 18 next year.

The investment bank added that with 75 DC-8s planned for delivery in 1981, revenues from civil aircraft would reach \$2.8bn, but jet transport losses would continue at an estimated \$80m. But Morgan Stanley reckoned that the company should achieve modest profitability in its commercial airliners by 1982 on \$2.3bn sales.

By OUR NEW YORK STAFF

By David Lascelles in New York

PAINTE WEBBER, the large Wall Street brokerage firm was back in the black again in its latest quarter after last year's heavy losses from operational problems connected with its merger with Blyth Eastman Dillon.

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By OUR NEW YORK STAFF

By David



**WOLSELEY**  
**-HUGHES**  
Central to  
Britain's heating  
Heating and Plumbing Merchants,  
Farm and Garden Machinery, Engineering Plastics.

## BRITISH FUNDS

Interest Due Stock Price Last Yield % Net Yield %

"Shorts" (Lives up to Five Years)

12D. 12/Jan. Exch. 1982

12D. 12/Jan. Exch. 1983

21F. 21/Aug. Exch. 30/ Sept. 1981

17 May 17/Nov. Treasury Variable 5.16%

22 May 21/Aug. Tech. 12/pc 1981

13 Aug. 15/Nov. Treasury 5.00%

15 Aug. 15/Nov. Treasury 5.00%

16S. 16/Nov. Treasury 10pc 5.25%

15D. 15/Nov. Treasury 10pc 5.25%

22 Mar. 22/Aug. Exch. 1982

5/1d. 5/1/Exch. 8/pc 1983

21 Aug. 21/Aug. Exch. 30/ Sept. 1983

17 May 17/Nov. Treasury 5.16%

22 May 22/Aug. Tech. 12/pc 1983

13 Aug. 15/Nov. Treasury 5.00%

20 Aug. 20/Aug. Exch. 11/pc 1984

22 May 22/Aug. Exch. 11/pc 1984

19 Aug. 19/Aug. Exch. 30/ Sept. 1984

22 Aug. 22/Aug. Exch. 30/ Sept. 1984

22 Aug. 22/Aug. Exch. 12/pc 1985

15 May 15/Nov. Treasury 11/pc 5.16%

25 Aug. 25/Aug. Exch. 11/pc 1986

## Five to Fifteen Years

19M. 19/May. Treasury 3pc 1986

12D. 12/Jan. Treasury 12pc

12D. 12/Jan. Exch. 12/pc 1986

22M. 22/Aug. Exch. 12/pc 1987

3/1M. 3/1/May. Funding 5pc 38-37.75

3/1M. 3/1/May. Treasury 5pc 1987

15M. 15/Nov. Treasury 5pc 1987

15M. 15/Nov. Treasury 5pc 1987

22M. 22/Aug. Exch. 12/pc 1988

15M. 15/Nov. Treasury 5pc 1988

22M. 22/Aug. Exch. 12/pc 1989

15M. 15/Nov. Treasury 5pc 1989

22M. 22/Aug. Exch. 12/pc 1990

15M. 15/Nov. Treasury 5pc 1990

22M. 22/Aug. Exch. 12/pc 1991

15M. 15/Nov. Treasury 5pc 1991

22M. 22/Aug. Exch. 12/pc 1992

15M. 15/Nov. Treasury 5pc 1992

22M. 22/Aug. Exch. 12/pc 1993

15M. 15/Nov. Treasury 5pc 1993

22M. 22/Aug. Exch. 12/pc 1994

15M. 15/Nov. Treasury 5pc 1994

22M. 22/Aug. Exch. 12/pc 1995

15M. 15/Nov. Treasury 5pc 1995

22M. 22/Aug. Exch. 12/pc 1996

15M. 15/Nov. Treasury 5pc 1996

22M. 22/Aug. Exch. 12/pc 1997

15M. 15/Nov. Treasury 5pc 1997

22M. 22/Aug. Exch. 12/pc 1998

15M. 15/Nov. Treasury 5pc 1998

22M. 22/Aug. Exch. 12/pc 1999

15M. 15/Nov. Treasury 5pc 1999

22M. 22/Aug. Exch. 12/pc 2000

15M. 15/Nov. Treasury 5pc 2000

22M. 22/Aug. Exch. 12/pc 2001

15M. 15/Nov. Treasury 5pc 2001

22M. 22/Aug. Exch. 12/pc 2002

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15M. 15/Nov. Treasury 5pc 2011

22M. 22/Aug. Exch. 12/pc 2012

15M. 15/Nov. Treasury 5pc 2012

22M. 22/Aug. Exch. 12/pc 2013

15M. 15/Nov. Treasury 5pc 2013

22M. 22/Aug. Exch. 12/pc 2014

15M. 15/Nov. Treasury 5pc 2014

22M. 22/Aug. Exch. 12/pc 2015

15M. 15/Nov. Treasury 5pc 2015

22M. 22/Aug. Exch. 12/pc 2016

15M. 15/Nov. Treasury 5pc 2016

22M. 22/Aug. Exch. 12/pc 2017

15M. 15/Nov. Treasury 5pc 2017

22M. 22/Aug. Exch. 12/pc 2018

15M. 15/Nov. Treasury 5pc 2018

22M. 22/Aug. Exch. 12/pc 2019

15M. 15/Nov. Treasury 5pc 2019

22M. 22/Aug. Exch. 12/pc 2020

15M. 15/Nov. Treasury 5pc 2020

22M. 22/Aug. Exch. 12/pc 2021

15M. 15/Nov. Treasury 5pc 2021

22M. 22/Aug. Exch. 12/pc 2022

15M. 15/Nov. Treasury 5pc 2022

22M. 22/Aug. Exch. 12/pc 2023

15M. 15/Nov. Treasury 5pc 2023

22M. 22/Aug. Exch. 12/pc 2024

15M. 15/Nov. Treasury 5pc 2024

22M. 22/Aug. Exch. 12/pc 2025

15M. 15/Nov. Treasury 5pc 2025

22M. 22/Aug. Exch. 12/pc 2026

15M. 15/Nov. Treasury 5pc 2026

22M. 22/Aug. Exch. 12/pc 2027

15M. 15/Nov. Treasury 5pc 2027

22M. 22/Aug. Exch. 12/pc 2028

15M. 15/Nov. Treasury 5pc 2028

22M. 22/Aug. Exch. 12/pc 2029

15M. 15/Nov. Treasury 5pc 2029

22M. 22/Aug. Exch. 12/pc 2030

15M. 15/Nov. Treasury 5pc 2030

22M. 22/Aug. Exch. 12/pc 2031

15M. 15/Nov. Treasury 5pc 2031

22M. 22/Aug. Exch. 12/pc 2032

15M. 15/Nov. Treasury 5pc 2032

22M. 22/Aug. Exch. 12/pc 2033

15M. 15/Nov. Treasury 5pc 2033

22M. 22/Aug. Exch. 12/pc 2034

15M. 15/Nov. Treasury 5pc 2034

22M. 22/Aug. Exch. 12/pc 2035

15M. 15/Nov. Treasury 5pc 2035

22M. 22/Aug. Exch. 12/pc 2036

15M. 15/Nov. Treasury 5pc 2036

22M. 22/Aug. Exch. 12/pc 2037

15M. 15/Nov. Treasury 5pc 2037

22M. 22/Aug. Exch. 12/pc 2038

15M. 15/Nov. Treasury 5pc 2038

22M. 22/Aug. Exch. 12/pc 2039

15M. 15/Nov. Treasury 5pc 2039

22M. 22/Aug. Exch. 12/pc 2040

15M. 15/Nov. Treasury 5pc 2040

22M. 22/Aug



## Variety of industries win Queen's award

BY JAMES McDONALD

THIS YEAR Queen's Awards for export achievement, announced today, illustrate once again the almost infinite variety of products and experience which Britain has to sell to the world.

The awards are equally divided between small, medium and large organisations. The products range from hops, sold to lager-drinking countries, to complete power-stations and rolling mills; from perfumes sold to Arabia to integrated TV receiver circuits imported by Japan; and from Harris tweed and knitwear to electronic and other high technology products, as well as a wide range of engineering products.

Know-how exports win a num-

ber of awards, represented by computer systems analysis and consultancy services, civil, electrical and mechanical engineering services and oil exploration expertise.

The City of London's "invisibles" are recognised this year by awards to the insurance and commodity dealing sectors, represented by Merritt Syndicates, at Lloyd's, Inter Commodities and the Guinness Peat Group.

More export awards have been made this year—82, compared with 87 in 1980. The number of applications also increased slightly by 22 to 963, following the sharp fall of almost 450 in the number of applications for 1980 awards.

Half of the total of 92 export awards are for companies or members of groups employing fewer than 200 people. Of these 46 small organisations, moreover, 30 employ under 100 workers.

There are 17 awards this year for technological achievement—the same as in 1980—and seven of these also have gone to small companies.

The strong pound, high interest rates and intense competition in many sectors have cut dangerously into export profit margins but the heavy engineering sector—spurred by the absence of work in the home market—is well represented in the awards by

GEC Turbine Generators, Babcock Power, Davy-Loewy and Foster Wheeler Power Products.

ICI has won awards for two of its sectors—the petrochemicals and plastics division and the Mond industrial chemicals division. But, in commenting on the awards, ICI stresses the problems it faces in export markets.

"These awards have been won following a year when ICI export sales from the UK grew 6 per cent in value and yet were unprofitable.

"Faced with difficult trading conditions, the company's exporting divisions incurred losses in the second half of 1980 in

order to maintain export volume and to hold hard-won market shares."

In the motor vehicles, engines and accessories field, award winners include: Walter Alexander and Co. (Coachbuilders); a factory owned by Cam Gears; Cummings Engine; D. J. B. Engineering; Garrett Altec Research; Lucas CAV; Perkins Engines; and Pirelli.

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## Japanese check nuclear plants

By Richard C. Hanson in Tokyo

THE JAPANESE Government yesterday ordered a safety check on all its nuclear power plants following the disclosure of a major radioactive leak from one of the country's oldest atomic power stations.

The Natural Resources and Energy agency, a part of the Ministry of International Trade and Industry, said that radioactive substances had been discovered in the non-radioactive drain system, and the seabed near the Tsuruga Number One nuclear power plant on the Japan Sea in Fukui Prefecture, central Japan.

It was also disclosed that a major overflow of nuclear waste from a storage tank had occurred in March. The overflow was not reported as required by law to the authorities at the time. The plant, built in 1970 as Japan's second commercial reactor, had already been shut down on April 1 because of irregularities found—but not reported—in January this year.

The disclosure came not long after the nuclear programme received a boost, last month, from approvals for three new nuclear power plants—the first such go-aheads since before the Three Mile Island incident in the U.S. Ironically, the initial reports from Tsuruga were made public just as pro-nuclear forces were heading for electoral victory in a small town in southern Japan, where the local anti-nuclear forces tried to defeat a pro-power plant mayor.

The overflow incident at Tsuruga was apparently caused when a worker forgot to shut an open valve. Criticism is being heaped on both the plant's management, the Japan Atomic Power Company, and the authorities for lax controls.

The extent of the damage caused by the leaks has yet to be determined. Though initial investigations have shown fish caught in the area to be free of contamination traces of radioactivity were found in the plant and shellfish in the area immediately fronting the power plant. Local fishermen are set to ask compensation for any losses incurred as a result of the incident.

It is also feared that workers at the plant involved in cleaning up from the March overflow may have been exposed to excess radioactivity.

The incident has prompted orders from the government for checks on all 22 of the nuclear plants operated in Japan at present.

The Tsuruga plant, a boiling water type reactor with 357,000 kw of generating capacity, was constructed by Japanese contractors, led by Toshiba Corp, under licence from General Electric of the U.S. The region surrounding it has become a focal point for nuclear power development in Japan.

Under construction nearby is another nuclear power plant capable of turning out over 1m kw of electricity, and Japan's first experimental fast breeder reactor plant.

Continued from Page 1  
**Minimum wage**

argued that, by laying down a minimum wage, the council are acting as a disincentive to employment.

There was some sympathy for this view among Ministers who were particularly conscious of the big gap between what a teenager could get on a Government programme and what an employer would have to pay them.

A teenager on a Youth Opportunities Scheme, for example, gets £23.50, but an employer covered by a Wages Council agreement would probably have to earn almost twice as much.

A review was set up but this concluded that although taking teenagers out of the minimum wage net might encourage employers to take on young people, it could just lead to an increase of unemployment among other groups—like women.

## CBI wants ceiling on commercial rate rises

BY ANDREW TAYLOR

THE GOVERNMENT should impose a ceiling on local authority business rates increases, the Confederation of British Industry said yesterday. The CBI strongly attacked commercial rate increases planned for 1981-82 which it said could cause more factory closures and lost jobs.

Sir Terence Beckett, CBI director general, in a letter to Mr. Michael Heseltine, the Environment Minister, said that industry viewed with "deep concern" mounting rates increases on commercial premises and the adverse consequences these would have on business and employment.

The CBI said that the Government should impose limits on the level of commercial rate increases that local authorities could introduce. It might also consider the case for abolishing the business rate altogether as part of the Government's current review of local authority finance and the rating system.

The Government is considering the possibility of introducing controls next year which would prevent local authorities

from raising commercial and industrial rates by more than a fixed percentage.

The CBI's latest criticism follows a clamour of protest from industry and commerce over rate increases announced for 1981-82. CBI has begun court proceedings against local authorities in Solihull and Coventry over rate rises of 28.4 per cent and 31.6 per cent.

Other employers have warned of factory closures if rate bills continue to increase.

Tilcon—the UK's fourth largest producer of sand, gravel and hard rock, and a subsidiary of Thomas Tilling—recently wrote to 117 local authorities, in areas where it has works, warning that plant closures would be implemented if rate demands were not curbed.

Employers have complained that they have been expected to carry more than their fair share of the rates burden by local authorities which find it politically more acceptable to raise rates from commerce and industry than from the domestic voter.

With the start of the new financial year in April com-

mercial rates on average have risen by about 17 per cent. This figure masks wide regional variations.

In Inner London, for example, commercial and industrial rates have risen by an average 33 per cent in Edinburgh, commercial rates rose by 42 per cent this month.

Sir Terence, in his letter to Mr. Heseltine, said: "It is now clear that many local authorities have deliberately decided to ignore the Government's expenditure guidelines, and an overstatement of rates or more is possible for the current financial year.

"In the face of these developments, we believe that the Government must take action to limit extravagant authorities from undertaking excessive expenditure programmes financed in a significant part by the business ratepayer."

Meanwhile, the Royal Institution of Chartered Surveyors has said that substantial domestic rate rises are forcing some home owners to move to less expensive properties.

RICS house price survey Page 4

## Amex in takeover negotiations with Shearson Loeb Rhoades

BY DAVID LASCELLES IN NEW YORK

AMERICAN EXPRESS, the worldwide leader in travel and entertainment cards, is considering a merger with Shearson Loeb Rhoades, the second largest Wall Street stockbroking firm.

No details were given, but the two companies said in a joint statement that the status of their discussions would be announced before the opening of trading on the New York Stock Exchange today.

If it went through, the merger would be the largest Wall Street takeover, and the second major one in a month.

In March, the Prudential Insurance Company of America initiated a merger with Bache,

the eighth largest Wall Street stockbroking firm, in a deal worth \$385m (£174.2m).

When Shearson shares last traded on Thursday, the firm had a market capitalisation of about \$550m.

American Express and Shearson have been known for some time to be considering joint marketing of financial services.

Speculation over an outright merger was rife before the Easter holiday. Shearson shares gained \$4—\$2 on Thursday.

American Express sees its future in the financial services field after its failure two years ago to gain control of the McGraw-Hill publishing company. The fact that it is also a major insurance company through its Fireman's Fund subsidiary, which accounts for more than half its earnings, strengthens the parallel with the Prudential-Bache deal.

## UK acts to keep foreign fishing boats at bay

BY ROBIN REEVES, WELSH CORRESPONDENT

THE MINISTRY of Agriculture and Fisheries is pressing the Department of Trade to tighten up Britain's shipping registration laws to prevent foreign trawlers getting round UK and EEC fisheries conservation controls.

Mr. Alec Buchanan-Smith, the Fisheries Minister, has asked the Department of Trade to introduce a new requirement under which vessels would have to have a UK port as their principal place of business.

A statutory instrument to effect this was due to be laid before Parliament before the Easter recess. But it seems the Department of Trade is reluctant

to rush into action which might discourage shipping from joining the British register.

Pressure for change arises from fears that an increased number of fishing vessels from Spain and other non-EEC countries are trying to gain relatively unfettered access to the fishing grounds lying inside the UK and EEC 200-mile limit by registering as British-owned.

The latest incident arose at Milford Haven, West Wales, where the local fishing industry is complaining about the arrival of three Spanish trawlers with Spanish crews which their owners, Rawlings and Co., are in the process of registering as British vessels.

This was why the British Cabinet was taking a much more active interest in major overseas contracts than in the past. It was also the reason for increasingly frequent overseas visits to Britain's major trading partners.

The Government must support companies who are competing for contracts—so we do spend a great deal of time on this."

Britain had not given enough attention to the Gulf region with visits at the highest level. She had been astounded to learn that she was the first British Prime Minister to visit Saudi Arabia.

One major purpose of her trip was to get to know the Government of Saudi Arabia, and to learn the point of view of the country's leaders in order to take it into account when making decisions at home.

Continued from Page 1  
**Thatcher**

"These adjustments will make our industry much fitter and leaner, and able to compete more effectively with trading countries."

The Prime Minister was less optimistic over the battle to lessen expectations, particularly on pay. While there was a decrease in settlements in the private sector, she admitted the Government had not solved the problem of public sector awards. "We shall continue to fight this battle."

She went on to emphasise the importance of her visits to India and the Gulf, in helping industry to win orders. One difficulty was that more and more decisions on contracts were taken at a political, rather than at company level.

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## Yamani

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indication of the industrialised countries, currency fluctuations, and the average growth rate of members of the Organisation for Economic Co-operation and Development.

One result of the oil surplus caused by Saudi Arabia's high production rates and market conditions generally, has been the deadlock in Kuwait's negotiations with British Petroleum, Shell, Gulf and Japanese companies on the renewal of supply contracts.

A review was set up but this concluded that although taking teenagers out of the minimum wage net might encourage employers to take on young people, it could just lead to an increase of unemployment among other groups—like women.

Yesterday, oil industry executives were sceptical about a report from Kuwait quoting Ministry of Oil officials saying the three majors—Royal Dutch Shell, BP and Gulf Oil—had submitted to Kuwait terms.

David Buchanan adds from Washington: The Reagan Administration is facing conflicting pressures of increasing intensity over its announced intention to sell Saudi Arabia advanced early-warning AWACS radar planes.

In his television appearance, Sheikh Yamani appeared to link Saudi strategy on oil prices to some degree with the controversial AWACS sale.

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**Yamani**

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Details, Pages 10-11

## THE LEX COLUMN

# When shareholders need a voice

Last week the directors of Rio Tinto-Zinc agreed that if an oil

company offered twice the market price they would have to take it seriously. Indeed they would. But the interesting question is what the shareholders of the bidder ought to do if their Board were to display such largesse.

The role of the shareholder as proprietor has faded. The typical institutional investor has come to be seen by managers as someone who will not question what they do and will interfere only in the most extreme of circumstances. Company Boards do not disguise their sighs of relief when large stakes are broken up and dispersed among many institutional investors.

A third sign is that managers are tending to usurp the portfolio management function of investors. Portfolio theory has mushroomed in recent years, especially in the U.S., as the big fund managers have sought to find a role in the absence of a proprietary function.

Striking it rich in a wildcat oil well, or winding up in gold at \$900 an ounce, do not mean that a management is better able to run American engineering companies. Rank Organisation's success in picking a winner with its Xerox trade investment did not, unfortunately, mean that it was good at managing industrial operations.

**Big capitalisation**

Having a high market capitalisation is a big temptation for managers when shareholders are so uncritical of the investment propositions—to the extent that they rarely require any serious information at all. Shareholders of Consolidated Gold Fields still do not know what the company wanted £185m for last November; all they do know is that they are showing a loss on the new shares.

It is unrealistic to suppose that institutional shareholders can suddenly start to intervene in the management of companies. They do not have the skills or the manpower to do so. But they should certainly be thinking about measures to ensure that their portfolio roles are protected, and that companies in trouble can look to their shareholders for constructive help rather than wait to be sold out to a bidder.

Thus the institutions could try to expand the role and responsibilities of non-executive directors. They could seek to shelter behind the efficient markets theory and argue that good companies will be capitalised higher and will therefore be able to raise capital more easily than their ailing rivals. Ultimately this approach leads to paper shuffling on the indexed fund principle whereby managers follow a rigid system which forces them to take all the shares offered to them.

It is characteristic of management dominated companies that

they are several signs of potential management domination over shareholders' interests.

First, and foremost, empire building. Larger companies are able to raise capital more easily than their ailing rivals. Ultimately this approach leads to paper shuffling on the indexed fund principle whereby managers follow a rigid system which forces them to take all the shares offered to them.